AUDITED FINANCIAL STATEMENTS

TRANSAMERICA LIFE (BERMUDA) LTD.
(An exempted company incorporated in Bermuda with Limited Liability)

31 December 2024

EY 安永
Building a better working world

TRANSAMERICA LIFE (BERMUDA) LTD.

CONTENTS

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Independent auditor's report
To the members of Transamerica Life (Bermuda) Ltd.
(An exempted company incorporated in the Bermuda with limited liability)

Opinion
We have audited the financial statements of Transamerica Life (Bermuda) Ltd. (the "Company") set out on pages 3 to 7, which comprise the statement of financial position as at 31 December 2024, and the statement of profit or loss and comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

Basis for Opinion
We conducted our audit in accordance with international Standards on Auditing ("ISAs") as issued by the International Auditing and Assurance Standards Board ("IAASB"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the Hong Kong Institute of Certified Public Accountants' *Code of Ethics for Professional Accountants* (the " Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter
The financial statements of the Company for the year ended 31 December 2023, were audited by another auditor who expressed an unmodified opinion on those statements on 23 April 2024.

Responsibilities of the directors and those charged with governance for the financial statements
The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by IASB, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

Independent auditor's report (continued)
To the members of Transamerica Life (Bermuda) Ltd.
(An exempted company incorporated in the Bermuda with limited liability)

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

Certified Public Accountants
Hong Kong
22 April 2025

TRANSAMERICA LIFE (BERMUDA) LTD.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2024

	Notes	Year ended 31 December 2024	Year ended 31 December 2023
		US$'000	US$'000
Insurance revenue		127,240	139,952
Insurance service expenses		(134,422)	(97,644)
Net income / (expense) on reinsurance held		8,117	(36,509)
Insurance service result	4	**935**	**5,799**
Interest revenue on financial instruments calculated using the effective interest method		51,610	67,488
Interest revenue on financial instruments measured at fair value through profit or loss ("FVPL")		1,177	1,101
Other investment income		-	3
Results from financial transactions		(2,501)	(5,983)
Impairment reversals		(5,365)	(582)
Insurance finance expenses		(298,046)	(328,986)
Net reinsurance finance income on reinsurance held		283,117	310,069
Insurance net investment result	5	**29,992**	**43,110**
Results from financial transactions		(50)	45
Interest income		103	194
Other net investment result		**53**	**239**
Total net investment result		**30,045**	**43,349**
Fee and commission expense	6	(272)	(554)
Other operating expenses	7	(9,358)	(6,032)
Other charges		(1,662)	-
Other result		**(11,292)**	**(6,586)**
Result before tax		**19,688**	**42,562**
Income tax expense	9	(1,928)	(4,127)
Net result		**17,760**	**38,435**

The accompanying notes on pages 8 to 88 form an integral part of these financial statement.

TRANSAMERICA LIFE (BERMUDA) LTD.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

Year ended 31 December 2024

	Notes	Year ended 31 December 2024	Year ended 31 December 2023
		US$'000	US$'000
Profit for the year		**17,760**	**38,435**
Other comprehensive income ("OCI"):			
Insurance items that may be reclassified subsequently to profit or loss			
Insurance finance income / (expenses)	5	254,654	(225,988)
Reinsurance finance (expenses) / income	5	(279,728)	204,583
Income tax relating to items that may be reclassified		(1,637)	7,953
Other items that may be reclassified subsequently to profit or loss:			
Gains on financial assets measured at fair value through **Other comprehensive income ("FVOCI")**	5	473	25,432
(Loss) / gains on disposal of financial assets measured at FVOCI	5	(1,831)	6,061
Change in exchange fluctuation reserve		(223)	31
Income tax relating to items that may be reclassified		-	(3,211)
Other		-	(130)
Total other comprehensive (loss) / income		**(28,292)**	**14,731**
Total comprehensive (loss) / income		**(10,532)**	**53,166**

TRANSAMERICA LIFE (BERMUDA) LTD.

STATEMENT OF CHANGES TO SHAREHOLDER'S EQUITY

Year ended 31 December 2024

	Notes	As at 31 December 2024	As at 31 December 2023
		US$'000	US$'000
Assets			
Cash and cash equivalents	13	65,139	81,372
Receivable from related companies	20	1,109	834
Investments	10	820,178	1,006,473
Derivatives	11	7,986	-
Reinsurance contract assets	16	5,360,009	6,239,770
Insurance contract assets	16	3,531	3,717
Deferred tax assets	9	24,493	24,215
Other assets and receivables	12	14,639	17,824
Intangible assets	17	2,327	3,997
Right-of-use assets	18	1,744	4,052
Total assets		**6,301,155**	**7,382,255**
Equity and Liabilities			
Share capital		135,912	157,911
Retained earnings		71,619	288,893
Revaluation and other reserves		160,444	188,736
Total equity		**367,975**	**635,540**
Liabilities			
Payable from related companies	20	2,615	1,125
Reinsurance contract liabilities	16	215,216	233,162
Insurance contract liabilities	16	5,687,386	6,501,278
Lease liabilities	18	1,827	4,224
Other liabilities	19	26,136	6,926
Total liabilities		**5,933,180**	**6,746,715**
Total equity and liabilities		**6,301,155**	**7,382,255**

The financial statements on pages 3 to 88 were approved by the Board of Directors for issue on 22 April 2025 and were signed on its behalf by:

IngTai Ching
Interim Chief Executive Officer
Chief Financial Officer

Thomas M.P. Grondin
Director

Bonnie T. Gerst
Director

TRANSAMERICA LIFE (BERMUDA) LTD.

STATEMENT OF CHANGES TO SHAREHOLDER'S EQUITY

Year ended 31 December 2024

	Common Shares	Additional Paid-in Capital	Financial Assets Revaluation Reserve	(Re)Insurance Contract Liabilities Revaluation Reserve	Exchange Fluctuation Reserve	Retained Earnings	Total Shareholders' Equity
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Opening balance at 1 January 2023	42,520	382,287	(69,447)	244,236	(914)	439,251	1,037,933
Profit for the year	-	-	-	-	-	38,435	38,435
Total distributions (Note 22):	-	(266,896)				(188,663)	(455,559)
Other comprehensive income for the year:							
Change in revaluation reserves - investments	-	-	28,282	-	-	-	28,282
Change in revaluation reserves - insurance contract liabilities	-	-	-	(13,452)	-	-	(13,452)
Change in exchange fluctuation reserve	-	-	-	-	31	-	31
Other movement	-	-	-	-	-	(130)	(130)
At 31 December 2023 and opening balance at 1 January 2024	42,520	115,391	(41,165)	230,784	(883)	288,893	635,540
Profit for the year	-	-	-	-	-	17,760	38,712
Total distributions (Note 22):	-	(21,999)	-	-	-	(235,034)	(257,033)
Other comprehensive (loss) / income for the year:							
Change in revaluation reserves - investments	-	-	(1,358)	-	-	-	(1,358)
Change in revaluation reserves - insurance contract liabilities	-	-	-	(26,711)	-	-	(50,759)
Change in exchange fluctuation reserve	-	-	-	-	(223)	-	(223)
At 31 December 2024	42,520	93,392	(42,523)	204,073	(1,106)	71,619	367,975

The accompanying notes on pages 8 to 88 form an integral part of these financial statements.

TRANSAMERICA LIFE (BERMUDA) LTD.

STATEMENT OF CASH FLOWS

Year ended 31 December 2024

	Notes	2024	2023
		US$'000	US$'000
Operating activities			
Profit before tax		19,688	42,562
Adjustment for:			
Change in operating assets			
Change in loans and receivables		3,135	14,147
Change in reinsurance assets		831,727	440,254
Change in operating liabilities			
Change in other liabilities		20,700	(9,043)
Change in insurance contract liabilities		(813,892)	(358,155)
Interest received		50,499	61,244
Purchase of securities		(3,777,922)	(11,069,605)
Sale of securities		3,951,645	11,430,913
Non-cash items included in profit before tax			
Realised and unrealised gains		12,992	5,884
Interest income		(50,723)	(65,938)
Amortisation expenses		(8,629)	(14,153)
Depreciation expenses		2,305	2,199
Amortisation of intangible assets		1,516	1,575
Net cash flows used in operating activities		243,041	481,884
Investing activities			
Receipt/ (Payment) for intangibles assets		154	(496)
Net cash flows generated from investment activities		154	(496)
Disposal of lease liabilities		(12)	(266)
Payments for lease liabilities		(2,467)	(2,385)
Finance cost		84	86
Total distributions paid	22	(257,033)	(455,559)
Net cash flows used in financing activities		(259,428)	(458,124)
Net (decrease) /increase in cash and cash equivalents		(16,233)	23,264
Cash and cash equivalents at beginning of year	13	81,372	58,108
Cash and cash equivalents at end of year	13	65,139	81,372

The accompanying notes on pages 8 to 88 form an integral part of these financial statement.

1. CORPORATE INFORMATION

The registered office of Transamerica Life ("Bermuda") Ltd. (the "Company") is located at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda.

The Company is a stock life insurance company incorporated under the laws of Bermuda on May 27, 2005. The Company is a wholly owned subsidiary of Aegon Ltd. through Transamerica Life Insurance Company ("TLIC"). TLIC is incorporated in the state of Iowa, USA, and is an indirect wholly owned subsidiary of Aegon Ltd., a holding company recognized under the laws of The Netherlands which is the Company's ultimate holding company.

The Company's principal representative in Bermuda is Marsh Management Services (Bermuda) Ltd. The Company is a registered insurer under The Insurance Act 1978, related regulations, and amendments thereto (the "Act").

The Company provides life insurance including term, universal life, and indexed universal life and others, which are primarily distributed through a global network of brokers, financial advisors, and banks. The Company's products are issued via Bermuda, Hong Kong, and Singapore distribution hubs. The Company is involved in ceding business to affiliated and unaffiliated companies.

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with IFRS Accounting Standards (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) as issued by the International Accounting Standards Board ("IASB") and the International Auditing and Assurance Standards Board ("IAASB").

2.2 BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments, other financial assets and liabilities held for trading and financial assets and liabilities designated at fair value through profit or loss ("FVPL") and debt at fair value through other comprehensive income ("FVOCI") all of which have been measured at fair value. The financial statements are presented in US dollars ("USD$") and all values are rounded to the nearest thousand dollars, except when otherwise indicated.

The Company has prepared its financial statement on the basis that it will continue to operate as a going concern.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(a) Mandatory for the year ended 31 December 2024
The following amendments to existing IFRS Accounting Standards became effective for annual periods beginning on 1 January 2024:

- Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current
- Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements

Amendments to IFRS 16 Lease Liability in a Sale and Leaseback
Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

Since the Company has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Company.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* and Amendments to IAS 1 *Non-current Liabilities with Covenants*
The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Company has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Company.

Amendments to IAS 7 and IFRS 7 *Supplier Finance Arrangement*
Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

As the Company does not have supplier finance arrangements, the amendments did not have any impact on the Company's financial statements.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) Issued but not yet effective and have not been early adopted for the year ended 31 December 2024

The following relevant new standards and amendments to standards have been issued but are not yet effective and have not been early adopted for the reporting year presented:

- Amendments to IAS 21, Lack of Exchangeability (2025)
- Amendments to IFRS 9 and IFRS 7, Classification and Measurement of Financial Instruments (2026)
- Annual Improvements to IFRS Accounting Standards - Volume 11, Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 (2026)
- IFRS 18, Presentation and Disclosure in Financial Statements (2027)
- IFRS 19, Subsidiaries without Public Accountability: Disclosures (2027)
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate of Joint Venture (Deferred)

The Company is currently assessing the impact of the standards, interpretations and amendments. Based on a preliminary assessment, the standards, interpretations and amendments are not expected to have any significant impact on the financial statements.

3.1 MATERIAL ACCOUNTING POLICIES

Product classification
The Company issues contracts that transfer insurance risk and/or financial risk.
Insurance contracts are those contracts for which the Company has accepted significant insurance risk from policyholders providing coverage for death, accident, and sickness at the inception of the contract. As a general guideline, the Company determines whether it has significant insurance risk by comparing benefits paid with benefits payable if the insured event did not occur. The Company also accepts financial risk on insurance contracts. Financial risk is the risk of a possible future change in interest rate, security price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index, or other variables.

Foreign currencies
The Company's functional currency is United States dollars. Foreign currency transactions are initially recorded using the functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change on fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

3.1 MATERIAL ACCOUNTING POLICIES (continued)

Intangible assets
Acquired computer software licenses are amortized over their estimated useful lives.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Costs directly associated with the internal production of identifiable and unique software by the Company that will generate economic benefits exceeding those costs over a period greater than a year, are recognized as intangible assets. All other costs associated with developing or maintaining computer software programs are recognized as an expense as incurred.

Costs of acquiring computer software licenses and incurred in the internal production of computer software are amortized using the straight-line method over the estimated useful life of the software, which does not generally exceed a period of 3 to 5 years.

Impairment of non-financial assets
Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired assets.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/reversal) had no impairment loss been recognized for the asset in prior years. A reversal of such impairment loss is credited to profit or loss in the period in which it arises.

3.1 MATERIAL ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Company if:

(a) the party is a person or a close member of that person's family and that person,
- (i) has control or joint control over the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of the key management personnel of the group or of a parent of the Company; or

(b) the party is an entity where any of the following conditions applies;
- (i) the entity and the Company are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Company are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3.1 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets

Recognition and classification

Financial assets and financial liabilities are recognized when TLB becomes a party to the contractual provisions of the instrument. Regular way purchase or sale of financial assets is recognized using trade date accounting.

Financial assets are classified for accounting purposes depending on the characteristics and the business model under which they were purchased.

TLB determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors, such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's senior management;
- The risks that affect the performance of the business model and the financial assets held within it. In particular, the way those risks are managed;
- How the Group management is compensated, i.e. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected;
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

In making the assessment of the contractual cash flows, TLB considers whether they are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

TLB presents its financial assets as Investments, Derivatives or Receivables and other assets in its Statement of Financial Position.

- *Debt instruments*

  TLB classifies debt instruments at fair value through profit and loss (FVPL) mandatorily if the business model is not to hold the instrument to collect contractual cash flows (or hold to collect and sell the asset) or if the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, or contractual cash flows are not solely payments of principal and interest (SPPI). Examples of assets that fail the SPPI test in TLB's portfolio are investments in funds that are classified as debt and investments in tranches of contractually linked instruments where the credit risk of the tranche is greater than the underlying portfolio's credit risk.

  TLB has classified most of its loan portfolios, and all receivables as measured at amortized cost because they are held to collect contractual cash flows, which cash flows meet the SPPI criteria. Other debt instruments, held in a business model to collect contractual cash flows and to be sold when asset liability management strategy requires, and meet the SPPI criteria are classified as measured at FVOCI.

3.1 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)
Recognition and classification (continued)

- *Equity instruments*
  Equity instruments are classified as financial assets measured at FVPL. TLB opted to measure a small portion of its equity instruments at FVOCI.

- *Derivatives and hedge accounting*
  All derivatives are carried at FVPL as assets when fair value is positive and as liabilities when fair value is negative.

  TLB designates certain derivatives as hedging instruments in either:
  - Hedges of the fair value of recognized assets or liabilities or firm commitments (fair value hedges);
  - Hedges of highly probable future cash flows attributable to a recognized asset or liability or a highly probable forecast transaction (cash flow hedges); or
  - Hedges of a net investment in a foreign operation (net investment hedges).

  TLB documents, at the inception of the hedge, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Initial measurement
At initial recognition, TLB measures a financial asset at its fair value plus or minus, in the case of a financial asset not at FVPL, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Immediately after initial recognition, an ECL allowance is recognized for financial assets measured at AC and investments in debt instruments measured at FVOCI, as described about amounts arising from ECL, which results in an accounting loss being recognized in profit or loss when an asset is newly originated.

3.1 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

- *Debt instruments measured at amortized cost and FVOCI*

  Interest revenue from financial assets measured at amortized cost or FVOCI is included in "Interest revenue on financial instruments calculated using the effective interest rate method".

  Movements in the carrying amount of FVOCI debt instruments are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument’s amortized cost that are recognized as profit or loss. When the debt instrument is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in "Net Investment result." In the case of equity instruments measured at FVOCI the cumulative gain or loss would never be recycled in profit or loss.

  When the debt instrument is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in "Net Investment result".

- *Financial instruments measured at FVPL*

  Gains and losses on financial instruments at FVPL are included in the Results from financial transactions line in the consolidated income statement, unless the financial instrument has been designated as a hedging instrument in a cash flow hedge or a hedge of a net investment in a foreign operation, when the effective portion of the fair value change is recognized in other comprehensive income. Fair value movements of fair value hedge instruments are offset by the fair value movements of the hedged item, and the resulting hedge ineffectiveness, if any, is included in result from financial transactions.

  Interest revenue from debt securities at FVPL and derivatives is presented separately as "Interest revenue from financial instruments measured at fair value."

- *Equity instruments measured at FVOCI*

  In the case of equity instruments measured at FVOCI the cumulative fair value gain or loss would never be recycled in profit or loss.

3.1 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Derecognition

When the contractual rights to the asset's cash flows expire, or an obligation arises to pass on all received cash flows without delay, or the asset is transferred with substantially all the risks and rewards of ownership or control over the asset is lost, TLB derecognizes the financial asset.

When a novation takes place TLB assesses whether the derecognition criteria are met. TLB does not derecognize the contract only if:

- The old counterparty and new counterparty share the same parent company; and
- Contract characteristics of the old contract and the new contract are the same; and
- The risk profile of both contract parties is similar (either by both having a parental guarantee or both entities having an investment grade rating)

On derecognition, the difference between the disposal proceeds and the carrying amount is recognized in the income statement within the results from financial transactions.

Financial liabilities

Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at AC, except for:

- Financial liabilities measured at fair value through profit or loss:
  this classification is applied to derivatives, financial liabilities held for trading and other financial liabilities designated as such at initial recognition. This is because these liabilities, as well as the related assets, are managed and their performance evaluated on a fair value basis;
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition:
  whereby a financial liability is recognized for the consideration received for the transfer. In subsequent periods, TLB recognizes any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments.

Derecognition of financial liabilities

Financial liabilities are derecognized when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position only when there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

3.1 MATERIAL ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purpose of the Statement of financial position, cash and cash equivalents comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, demand deposits and short-term highly liquid investments which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Company's cash management.

Money market investments that are held for investment purposes (backing insurance contract liabilities, investment liabilities or equity based on asset liability management considerations) are not included in cash and cash equivalents but are presented as investments.

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the reporting date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Dividends

Final dividends are recognized as a liability when these dividends have been approved by the shareholders and declared.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognized immediately as a liability when they are proposed and declared.

3.1 MATERIAL ACCOUNTING POLICIES (continued)

Insurance contract

Scope

Insurance contracts are contracts under which the Company accepts a significant risk – other than a financial risk – from a policyholder by agreeing to compensate the beneficiary on the occurrence of an uncertain future event by which he or she will be adversely affected. Significant insurance risk is determined on a present value basis, where at least one scenario with commercial substance can be identified in which the Company has to pay significant additional benefits. For example, TLB defines an additional benefit on death of at least 5% as significant. Instances where additional benefits are less than 5% will be considered on a case-by-case basis, taking into account all the characteristics of the contract. Insurance contracts include products that provide policyholders with the option to take out insurance coverage at predetermined prices, provided this option is shown to have commercial substance.
Contracts that do not meet the definition of insurance contracts are accounted for as financial instruments.

Separating components from insurance contracts

At inception, the following components are separated from an insurance contract and accounted for as if they were stand-alone financial instruments:

- Embedded derivatives whose economic characteristics and risks are not closely related to those of the host contract, and whose terms would not meet the definition of an insurance contract as a stand-alone instrument; and

- Investment components (i.e. amounts that an insurance contract requires the Company to repay to a policyholder, even if the insured event does not occur) that are distinct. In other words, investment components that:
  - Do not meet the definition of an investment contract with discretionary participation features;
  - Are not highly inter-related with the insurance component; and
  - For which contracts with equivalent terms are sold, or could be sold, separately in the same market or jurisdiction.

Promises to transfer to a policyholder distinct goods or services other than insurance contract services, are also separated from the host contract and accounted for as a service contract.
TLB has currently not identified any components of the insurance contracts recognized at the balance sheet date, that require separation.

3.1 MATERIAL ACCOUNTING POLICIES (continued)

Insurance contract (continued)

Level of aggregation

Insurance contracts are grouped together for measurement and income recognition purposes. The groups are established at initial recognition and are not reassessed subsequently.

- *Portfolios*

  The Company classifies contracts as belonging to one portfolio when they are subject to similar risks and are managed together.

  When identifying similar risks, TLB considers all insurance and financial risks that are transferred from the policyholder to the Company. This does not include lapse risk or expense risk, as these are not risks that a policyholder transfers to an insurer. Generally, contracts in the same product line are included within the same portfolio if they are managed together, and contracts in different product lines with dissimilar risks are included in different portfolios.

  To be grouped together, contracts must be managed together from the perspective of the management board of TLB. Information that is used to assess how risks are managed includes TLB's internal management reporting, as well as asset-liability management and asset allocation strategies.

- *Groups*

  Contracts within a portfolio are segregated into:

  - Groups of insurance contracts that are onerous at initial recognition.

  - Groups of insurance contracts that are not onerous at initial recognition, subdivided into:
    Groups of insurance contracts that have no significant possibility of becoming onerous subsequently; and
    A group of remaining contracts in the portfolio, if any.

TLB uses two approaches to identify groups of contracts. The first approach consists of a bottom-up assessment, in which contracts are grouped together on a contract-by-contract basis by considering the expected profitability of each contract. Alternatively, the grouping assessment can be completed at a higher level of aggregation if, based on reasonable and supportable information, TLB concludes that a set of contracts will – by definition – all be in the same group.

Both approaches involve qualitative factors, quantitative factors, or a combination of both, for example product pricing, assumption setting reviews, key performance indicators (such as market-consistent value of the new business and expected loss ratios) and asset liability management.

In assessing whether a profitable group of contracts could subsequently become onerous, TLB considers the size of the estimated profit at inception and its sensitivity to changes in the underlying assumptions. Typically, TLB would expect that any insurance contract could become lossmaking if the insured event occurs.

3.1 MATERIAL ACCOUNTING POLICIES (continued)

Insurance contract (continued)
Level of aggregation (continued)

- *Groups (continued)*
  If contracts within a portfolio would fall into different groups only because law or regulation specifically constrains TLB's practical ability to set a different price or level of benefits for policyholders with different characteristics, the contracts are included in the same group.

- *Cohorts*
  TLB follows a quarterly reporting frequency on a locked-in period-to-date basis, as opposed to a year-to-date basis, and therefore groups contracts into quarterly cohorts. New contracts issued in the same quarter and belonging to the same group will be measured together. After the quarter end, the cohort is closed, and the cohort will be treated as 'in force' in the subsequent quarterly reporting periods.

Recognition
A group of insurance contracts is recognized from the earliest of the following dates: the beginning of the coverage period, the date when the first payment from a policyholder in the group becomes due, and the date when the group of insurance contracts becomes onerous.

Insurance acquisition cashflows
Insurance acquisition cash flows arise from selling, underwriting, or starting a group of insurance contracts. These cash flows comprise not only the incremental costs of originating insurance contracts but also other (in)direct costs and include cash flows relating to both successful and unsuccessful acquisition efforts such as commissions and underwriting expenses that are directly attributable to the portfolio. Insurance revenue related to insurance acquisition cash flows is recognized on a pure passage of time basis.

Insurance contract types
Life insurance contracts comprise insurance contracts for which the primary insured risk is life contingent.

For measurement and income recognition purposes, TLB distinguishes between insurance contracts with and without direct participating features. Contracts are classified at the initial recognition date and not subsequently reassessed.

The Company has currently not identified any non-life insurance contracts and insurance contracts with direct participating features at the balance sheet date.

- *Insurance contracts without direct participating features*
  Insurance contracts without direct participating features provide insurance services, and in some cases, investment-return services. Identification of the services provided is relevant when, for example, determining the appropriate profit emergence pattern.

  A product is considered to provide an investment-return service if, and only if, the following apply:
  - The contract contains a non-distinct investment component or the policyholder has a right to withdraw an amount under the policy;
  - TLB expects that this amount will include an investment return; and
  - TLB expects to perform investment activity to generate that investment return.

3.1 MATERIAL ACCOUNTING POLICIES (continued)

Insurance contract (continued)

Initial measurement

On initial recognition, TLB measures a group of contracts at a risk-adjusted, current and probability weighted estimate of the present value of the future cash flows (‘fulfilment cash flows’) plus the unearned profit on the group of contracts (‘contractual service margin’).

- *Fulfilment cash flows*

  The fulfilment cash flows reflect TLB’s view of the current condition at the reporting date, consistent with observable market prices and considering all contractual terms and conditions with commercial substance that are within the contract boundary. Future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts, are only considered when the legislation is substantively enacted.

  Fulfillment cash flows also include discretional cash flows. TLB interprets that, in most cases, the stochastic technique is needed to capture the non-linear characteristic of cash flows, especially when there is material financial guarantee or dynamic lapse behavior associated with the discretional cash flows. TLB uses the stochastic technique to apply risk-neutral scenarios that are calibrated to replicate the market price of market variables such as equity or interest rates. Such a calibration ensures that the probability-weighted average of payoffs on different scenarios discounted at risk-free rates will be equal to the market price of financial security with the same payoffs.

- *Contractual service margin*

  The contractual service margin represents the unearned profit TLB will recognize as it provides insurance contract services in future. For onerous insurance contracts, the calculation above results in a loss that is recognized in the income statement immediately and for which a corresponding loss component is established as part of the insurance contract liabilities.

- *Contract boundary*

  Cash flows are within the boundary of an insurance contract if they arise from rights and obligations that exist during the period in which TLB can either compel the policyholder to pay premiums or has a substantive obligation to provide insurance contract services to the policyholder.

  Examples of cash flows within the contract boundary by TLB’s interpretation are premiums and related cash flows, claim payments (including reported, incurred and all future claims for which TLB has substantive obligation), payments to policyholders such as payments that vary depending on underlying items or resulting from options and guarantees, claim handling costs, policy administration and maintenance cost, cost for performing investment activities, investment return services or investment related services and allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts. TLB interprets directly attributable overhead expenses consistent with the principle of Solvency II regarding insurance service obligation. Premiums receivable from the intermediary are included as future cash flows within the contract boundary.

3.1 MATERIAL ACCOUNTING POLICIES (continued)

Insurance contract (continued)
Initial measurement (continued)

- *Contract boundary (continued)*
  In determining whether a contract can be repriced, all insurance and financial risks that are transferred from the policyholder to TLB are considered. Risks that result from the contract itself, such as expense risk or lapse risk, are ignored. If TLB provides investment-related services to insurance policyholders, the ability to reprice the fees or charges for these services to prevailing rates is also considered in setting the contract boundary.
  Contract boundaries are based on current facts and circumstances and may therefore change over time.

Subsequent measurement
The carrying amount of a group of insurance contracts at the end of each reporting period is the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises the fulfilment cash flows related to future service allocated to that group and the contractual service margin of the group. The liability for incurred claims comprises the fulfilment cash flows related to past service allocated to the group. Cash flows that remain subject to insurance risk after the occurrence of the insured event, are included in the liability for remaining coverage.

The fulfilment cash flows are remeasured at each reporting date to reflect current estimates. The measurement of the contractual service margin differs for contracts with and without direct participating features.

Some changes in the contractual service margin are offset by changes in the fulfilment cash flows, resulting in no change in the total carrying amount of the liability for remaining coverage. To the extent that changes in the contractual service margin and changes in the fulfilment cash flows do not offset, income and expenses are recognized.

- *Insurance contracts without direct participating features (general measurement model)*
  The carrying amount of the contractual service margin for a group of insurance contracts without direct participating features at the end of each reporting period is determined by adjusting the carrying amount with the effect of new contracts added to the group, interest accrued on the contractual service margin during the period, changes in fulfillment cash flows related to future services (except when increases in fulfillment cash flows exceed the carrying amount of contractual service margin, causing a loss, or when decreases in fulfillment cash flows are allocated to the loss component), currency exchange differences affecting the contractual service margin, and insurance revenue recognized for services provided during the period.

- *Interest accretion*
  TLB accretes interest to the contractual service margin based on either the one-year forward rate or one-year spot-rate, derived from the discount rate curve used to estimate the present value of future cash flows that do not vary based on the returns on any underlying items on initial recognition of the group of contracts.

  The amount of Interest is calculated on a time-weighted basis, allowing for the timing of the movements in the contractual service margin over the reporting period.

3.1 MATERIAL ACCOUNTING POLICIES (continued)

Insurance contract (continued)
Subsequent measurement (continued)

- *Changes in fulfilment cash flows relating to future services*
  Changes in the fulfilment cash flows that relate to future services comprise:
  - Experience adjustments arising from premiums received in the period that relate to future services and related cash flows, measured at the discount rates determined on initial recognition;
  - Changes in estimates of the present value of future cash flows in the liability for remaining coverage (other than those that relate to the effects of the time value of the money and changes in financial risks), measured at the discount rates determined on initial recognition;
  - Differences between any non-distinct investment component expected to become payable in the period and the actual non-distinct investment component that becomes payable in the period;
  - Differences between any loan to a policyholder expected to become repayable in the period and the actual loan to a policyholder that becomes repayable in the period; and
  - Changes in the risk adjustment for non-financial risk that relate to future services.
  - The change in fulfilment cash flows that relates to future service is calculated using discount rates derived from the discount rate curve used to determine the contractual service margin on initial recognition of the group of contracts.

- *Changes in the contractual service margin recognized as insurance revenue*
  The contractual service margin of a group of contracts is recognized as insurance revenue in each period to reflect the insurance contract services provided under the group of insurance contracts in that period. The amount of revenue is determined by allocating the contractual service margin remaining at the end of the reporting period equally to each coverage unit provided in the current period and expected to be provided in the future.

  The numbers of coverage units in a group of contracts is determined by considering, for each contract, the quantity of the benefits provided and its expected coverage period. If a contract provides coverage for more than one insured event or if it provides additional investment-return services, the coverage unit reflects all material benefits.

  TLB has defined coverage units that differ per product type to best reflect a product's characteristics and the nature of the services provided to the policyholder. Insurance services are typically depicted by a metric that is based on the maximum amount that a policyholder would receive if the insured event were to occur, such as the total benefits amount or the death benefit amount. For investment-type services, coverage units are based on the total return that TLB expects to provide the policyholder over the lifetime of the contract.

3.1 MATERIAL ACCOUNTING POLICIES (continued)

Insurance contract (continued)

Subsequent measurement (continued)

- *Changes in the contractual service margin recognized as insurance revenue*
  TLB applies the following formula to determine the amount of contractual service margin to release in each reporting period:

  Proportion of CSM to be released to P&L = A / [A + B]
  Where:
  A = coverage units provided in the period
  B = present value of coverage units to be provided in the future

  The coverage units provided in the period are determined as an average of the coverage units at the beginning and end of the quarterly reporting period. Future coverage units are discounted using rates locked-in at the initial recognition of the group of contracts.

Loss component

When a group of insurance contracts becomes onerous, a loss component of the liability for remaining coverage for that group is established. Except for changes in non-financial assumptions that are fully allocated to a loss component, all subsequent changes in the fulfilment cash flows of the liability for remaining coverage are allocated on a systematic basis between the loss component and the remaining liability for remaining coverage. No revenue is recognized for services allocated to the loss component, as TLB has never received compensation from the policyholder for these.

Reinsurance contract

Reinsurance contracts held are contracts entered into by the Company in order to receive compensation for claims arising from one or more insurance contracts issued by the Company. Reinsurance contracts that do not transfer insurance risk are accounted for as financial instruments or as service contracts, depending on the nature of the agreement.

To the extent possible, the accounting model applied to reinsurance contracts held is consistent with that of the underlying insurance contracts. Differences will arise when underlying contracts have direct participating features, as the variable fee approach cannot be applied to reinsurance contracts held. Furthermore, reinsurance contracts with a coverage period exceeding 12 months may not be eligible for the premium allocation approach.

Expected reinsurance recoveries include an adjustment for the risk of non-performance by the reinsurer, which is based on TLB’s credit exposure, net of collateral, and the perceived counterparty default risk.

3.1 MATERIAL ACCOUNTING POLICIES (continued)

Reinsurance contract (continued)
Separating components from insurance contracts
Similarly, to the analysis for insurance contracts, TLB has assessed that its reinsurance contracts held do not include components that need to be separated for accounting purposes.

Level of aggregation
Reinsurance contracts are grouped for measurement and income recognition purposes, based on the similarity of risk, the manner in which the contracts are managed, the expected profitability of the contracts at inception, and the period in which the contracts are issued. When grouping reinsurance contracts, TLB considers the type of reinsurance cover received (e.g. yearly renewable term, stop loss, or coinsurance).

A group of reinsurance contracts can comprise a single contract, for example when the contracts are managed on an individual treaty basis.

Reinsurance contracts measured under the general measurement model
The Company applies the accounting policies disclosed above for insurance contracts without direct participating features to measure a group of reinsurance contracts held, albeit with the following modifications:

- *Initial measurement*
  TLB estimates the present value of the future cash flows of the group of reinsurance contracts held, using assumptions that are consistent with those used to measure the underlying insurance contracts. The estimate includes an adjustment for the risk of non-performance by the reinsurer. This includes the potential failure of the reinsurance counterparty due to default, disputes resulting in reduced payments, current financial conditions, and credit standing of the reinsurer, the potential for these conditions to change over time, the extent to which counterparty exposure is collateralized, treaty provisions for nonperformance and special features of the regulatory environment.

- *Contract boundary*
  For treaties with open attaching periods, the cessions within the termination window (typically 90 days) are treated as a separate contract for accounting purposes. Cessions that take place after the termination window are treated as a new contract.

- *Subsequent measurement*
  The company releases the CSM in the profit or loss at the end of the reporting period based on the coverage unit of the contract which is based on the quantity of benefits and expected coverage duration. To determine the coverage units, the company chooses a coverage unit metric that is proportional to the risk transferred, using maximum cover as the basis for coverage units but taking into account the number of underlying direct contracts attached. The coverage unit should reflect the expected pattern of underwriting of the underlying contracts because the level of service provided depends on the number of underlying contracts in-force.

  With the exception of reinsurance finance income, all other income and expenses from a group of reinsurance contracts are presented as a single amount.

  Finance income related to reinsurance contracts held is presented separately in the income statement and OCI. They are not netted with the finance expenses related to insurance contracts issued.

3.1 MATERIAL ACCOUNTING POLICIES (continued)

Reinsurance contract (continued)

Reinsurance contracts measured under the general measurement model (continued)

- *Loss recovery component*

  TLB establishes a loss recovery component for a group of reinsurance contracts, when a change in the fulfillment cash flows that relates to future services does not adjust the contractual service margin. It reflects the income recognized in the income statement to offset the reinsured loss reported on the underlying insurance contracts.

  The adjusted amount, and resulting income, is determined by multiplying:

  - The loss recognized on the group of underlying insurance contracts; and
  - The recovery percentage, which is the percentage of claims on the group of underlying insurance contracts that TLB expects to recover from the reinsurance contracts held.

  The calculation of the recovery percentage is based on discounted claims and recovery amounts, using current discount rates. No allowance is made for reinsurance non-performance risk, and any risk adjustment for non-financial risks is excluded from the calculation.

  If an onerous group of insurance contracts is only partially reinsured, systematic and rational allocation methods are used to determine the portion of subsequent movements in the loss component that relates to insurance contracts covered by the group of reinsurance contracts held.

3.1 MATERIAL ACCOUNTING POLICIES (continued)

Insurance revenue and Insurance service expenses

TLB recognizes insurance revenue as it provides services under groups of insurance contracts.

The total insurance revenue recognized over the duration of a group of contracts is equal to the amount of premiums received, adjusted for a financing effect and excluding any non-distinct investment components. Reinstatement premiums are included in insurance revenue, when reinstatement is not mandatory under the terms of the contract but at the discretion of the policyholder. Ceding commissions paid by TLB on inward reinsurance are deducted from insurance revenue, unless they are contingent on future claims.

The revenue recognized in the period represents the total of the changes in the liability for remaining coverage that relate to services for which the Company expects to receive compensation and includes:

- The release of contractual service margin for services provided in the period;
- Changes in the risk adjustments for non-financial risk that do not relate to future service, excluding amounts allocated to the loss component;
- The claims and other insurance service expenses expected to be incurred in the period, excluding amounts allocated to the loss component;
- Other amounts, such as experience adjustments for premium receipts that do not relate to future service and income tax that is specifically chargeable to the policyholder.

In addition, the insurance revenue recognized in the period includes an allocation of the portion of the premiums that are related to recovering insurance acquisition cash flows. The allocation is based on the passage of time, without interest accumulation. The same amount is also recognized as insurance service expenses. Insurance service expenses arise as TLB provides coverage and other services under issued insurance contracts and investment contracts with discretionary participating features. It comprises:

- The incurred claims, excluding repayments of non-distinct investment components, and other incurred insurance service expenses;
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein;
- Amortization of insurance acquisition cash flows;
- Losses on onerous contracts and the reversals of such losses; and
- Impairment losses on assets for insurance acquisition cash flows and reversals of such impairment losses.

3.1 MATERIAL ACCOUNTING POLICIES (continued)

<u>Insurance finance expenses</u>
Insurance finance expenses comprise the change in the carrying amount of the group of insurance contracts or reinsurance contracts arising from the effect of the time value of money and changes in the time value of money, as well as the effect of financial risk and changes in financial risk. It also includes the changes in the measurement of group of insurance contracts that are caused by changes in the value of underlying items (excluding additions and withdrawals).

Defining financial risk
Financial risk can relate to one or more of a

- Credit risk
- Fluctuations in equity, real estate and capital markets
- Interest rate risk
- Currency exchange risk

As an example of variables not specific to a party to the contract, assumptions about inflation are considered to relate to financial risk, to the extent that they are based on an index of prices or on prices of assets with inflation-linked returns. Assumptions about inflation that are based on TLB's own expectations of specific price changes, do not relate to financial risk and are considered to be actuarial assumptions.

For contracts with discretionary participating features, TLB uses the basis on which, at inception, it expected to determine its commitment under the contract to distinguish between the effect of changes in assumptions that relate to financial risk on that commitment and the effect of discretionary changes to that commitment (which adjust the contractual service margin).

TLB considers, per portfolio, whether the risk adjustment for financial risks should be disaggregated in an insurance service component and an insurance finance component, taking into account the extent to which the carrying amount is affected by changes in interest rate and other financial risks. The changes in the risk adjustment for non-financial risk are fully attributed to insurance services.

Disaggregation of insurance finance expenses
TLB disaggregates insurance finance expenses for all insurance contracts.

The amount of insurance finance expenses included in profit or loss is determined by a systematic allocation of the expected total insurance finance income and expenses over the duration of the group of contracts, using the following rates:

- Discount rates determined at the date of initial recognition of the group of contracts; or
- A rate that allocates the remaining revised expected finance income or expenses over the remaining duration of the group of contracts at a constant rate (expected yield approach).

The expected yield approach and projected crediting rate approach are applied to designated groups of contracts for which changes in financial assumptions have a substantial effect on the amounts paid by the policyholder ('indirect participating products'). Indirect participating products include universal life products that do not qualify for the variable fee approach due to minimum guarantees.

3.1 MATERIAL ACCOUNTING POLICIES (continued)

Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company leases various properties and equipment. These leases, except for short-term leases and leases of low-value assets, are recognized as right-of-use assets and lease liabilities at the date at which the leased assets are available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The depreciation charge for right-of-use assets, by class of underlying asset, and finance cost on lease liabilities are disclosed in note 18.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate of the respective business unit (as the lessee) within the Company.

- Right-of-use assets are measured at cost comprising the following:
- the amount of initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise computer hardware and small items of furniture and fixtures that are individually, when new, below US$5,000.

3.1 MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

Lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive for the lessee to exercise an extension option, or not exercise a termination option. Extension and termination options are included in a number of leases across the Company. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated) by the lessee. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Company operates.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognized for the estimated future tax effects of temporary differences between the carrying value of an item and its tax value, with the exception of assets and liabilities that do not impact taxable or accounting profits. A tax asset is recognized for tax loss carryforwards to the extent that it is probable at the reporting date that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilized.

Deferred tax assets and liabilities are reviewed at the balance sheet date and are measured at tax rates that are expected to apply when the asset is realized or the liability is settled. The carrying amount is not discounted and reflects the Company’s expectations concerning the manner of recovery or settlement.

Deferred tax assets and liabilities are recognized in relation to the underlying transaction either in profit and loss, other comprehensive income or directly in equity.

3.1 MATERIAL ACCOUNTING POLICIES (continued)

Events after the reporting date
The financial statements are adjusted to reflect events that occurred between the reporting date and the date when the financial statements are authorized for issue, provided they give evidence of conditions that existed at the reporting date. Events that are indicative of conditions that arose after the reporting date are disclosed, but do not result in an adjustment of the financial statements.

Fair value measurement
The Company measures certain investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Assets and liabilities recorded at fair value on the Statement of Financial Position are categorized as follows:

Level 1. Unadjusted quoted prices for identical assets or liabilities in an active market.

Level 2. Quoted prices in markets that are not active or inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:
a) Quoted prices for similar assets or liabilities in active markets
b) Quoted prices for identical or similar assets or liabilities in non-active markets
c) Inputs other than quoted market prices that are observable
d) Inputs that are derived principally from or corroborated by observable market data through correlation or other means

Level 3. Prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Both observable and unobservable inputs may be used to determine the fair value of positions classified in Level 3. The circumstances for using unobservable measurement include those in which there is little, if any, market activity for the assets or liabilities. Therefore, the Company must make assumptions about inputs that a hypothetical market participant would use to value the assets and liabilities.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the beginning of each quarter.

The Company makes estimates, assumptions and judgments that affect the reported amounts of assets and liabilities. Estimates, assumptions and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.2 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENT IN APPLYING ACCOUNTING POLICIES

In preparing these financial statements, the Company has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Included among the material (or potentially material) reported amounts and disclosures that require extensive use of estimates are the measurement of (re)insurance contracts (please see note 15), and the measurement of the expected credit loss allowance (please see note 14).
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

<u>Management's assessment of going concern</u>
The financial statements of the Company have been prepared assuming a going concern basis of accounting based on the reasonable assumption that the Company is, and will be, able to continue its normal course of business in the foreseeable future. Relevant facts and circumstances relating to the financial position on 31 December 2024, were assessed in order to reach the going concern assumption. Considering all these areas management concluded that the going concern assumption for the Company is appropriate in preparing the financial statements and there is no significant doubt about going concern.

<u>Actuarial and economic assumptions</u>
Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amount of insurance related assets and liabilities within the year ending 31 December 2024, is included in note 15 on Insurance contracts, reinsurance contracts held.

<u>Measurement of the expected credit loss allowance ("ECL")</u>
The measurement of the expected credit loss allowance for financial assets measured at amortized cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 14 – Credit risk, which also sets out key sensitivities of the ECL to changes in these elements.
Detailed information about the judgements and estimates made by the and information incorporating the forward-looking information into the measurement of the ECL is set out in note 14 – Credit risk.

<u>Deferred tax assets</u>
Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Further details on taxes are disclosed in note 9.

4. INSURANCE SERVICE RESULT

	2024	2023
	US$'000	US$'000
Insurance revenue		
Expected insurance claims and other insurance service expenses to be incurred	87,639	90,414
Earnings released from contractual service margin	23,337	35,573
Release of risk adjustment for non-financial risk	12,204	10,426
Allocated portion of consideration that relates to recovery acquisition costs	4,060	3,539
Total insurance revenue	**127,240**	**139,952**
Incurred claims and other incurred insurance service expenses	(70,290)	(70,165)
Losses on onerous contract	(60,072)	(23,937)
Amortization of insurance acquisition costs	(4,060)	(3,542)
Total insurance service expenses	**(134,422)**	**(97,644)**
Net expenses on reinsurance held		
Assumption changes that relate to (a reversal of) underlying onerous contracts	29,889	(1,766)
Experience adjustments that relate to underlying onerous contracts	10,140	4,652
Release of the contractual service margin for services received	(3,875)	(17,674)
Release of risk adjustment for non-financial risk	(8,053)	(6,544)
Experience adjustments on current service	(20,140)	(15,953)
New contracts issued/acquired: loss on initial recognition of underlying contracts	431	1,144
Reversals of a loss-recovery component other than changes in the FCF of reinsurance contracts held	(112)	(230)
Change in estimates due to rebalancing of reinsurance recoverability ratio	(163)	(138)
Total net expenses on reinsurance held	**8,117**	**(36,509)**
Insurance service result	**935**	**5,799**

The following table shows the revenue recognized on by transition method. Other contracts comprise contracts transitioned under the full retrospective approach and contracts issued after the transition to IFRS 17.

	2024	2023
	US$'000	US$'000
Insurance contracts		
Related to contracts transitioned under the modified retrospective method	27,941	33,596
Related to contracts transitioned under the fair value approach	80,745	88,208
Other contracts	18,554	18,148
Total revenue reported in the period	127,240	139,952

5. INSURANCE NET INVESTMENT RESULT

Insurance net investment result	2024	2023
	US$'000	US$000
(a) Insurance investment return		
Interest on financial instruments calculated using the effective interest method	51,610	67,488
Interest on financial instruments measured at FVPL	1,177	1,101
Other investment income	-	3
Results from financial transactions	(2,501)	(5,983)
Impairment reversals	(5,365)	(582)
P&L impacts	**44,921**	**62,027**
Gains on financial assets measured at FVOCI	473	25,432
(Loss)/ Gains on disposal of financial assets measured at FVOCI	(1,831)	6,061
OCI impacts	**(1,358)**	**31,493**
Total insurance investment return	**43,563**	**93,520**
(b) Insurance finance income / (expenses)		
Interest accreted to insurance contracts	(290,679)	(319,687)
Changes in interest rates and other financial assumptions	320,129	(156,959)
Revaluation of changes in non-financial assumptions and experience adjustments to current interest rates	(72,842)	(78,328)
Total insurance finance income / (expenses)	**(43,392)**	**(554,974)**
Represented by:		
Amounts recognized in profit or loss	(298,046)	(328,986)
Amounts recognized in OCI	254,654	(225,988)

5. INSURANCE NET INVESTMENT RESULT (continued)

	2024	2023
	US$'000	US$'000
(c) Reinsurance finance income / (expenses) on reinsurance held		
Interest accreted to reinsurance contracts	275,452	309,180
Changes in interest rates and other financial assumptions	(309,390)	135,953
Revaluation of changes in non-financial assumptions and experience adjustments to current interest rates	37,352	46,611
Changes in risk of non-performance of reinsurers	(25)	22,907
Reinsurance finance income / (expenses) on reinsurance held	**3,389**	**514,651**
Represented by:		
Amounts recognized in profit or loss	283,117	310,069
Amounts recognized in OCI	(279,728)	204,583
Insurance net investment result	**3,560**	**53,197**
Represented by:		
Amounts recognized in profit or loss	29,992	43,110
Amounts recognized in OCI	(26,432)	10,087

6. FEE AND COMMISSION EXPENSE

	2024	2023
	US$'000	US$'000
Other fee and commission expense	(272)	(554)
Fee and commission expense	**(272)**	**(554)**

7. OTHER OPERATING EXPENSES

	2024	2024	2023	2023
	US$'000	US$'000	US$'000	US$'000
	Insurance related	Non-insurance related	Insurance related	Non-insurance related
Policyholder claims and benefits	48,835	-	53,184	-
Onerous contract losses	59,560	-	23,700	-
Commissions	42,930	1,027	29,096	1,456
Handling and clearing fees	356	-	362	60
Right of use assets — interest expense	80	4	82	4
Employee expenses	20,042	3,352	20,310	2,027
Administration expenses	16,195	4,975	14,095	2,485
Total	**187,998**	**9,358**	**140,829**	**6,032**
Amounts attributed to insurance acquisition cash flows	(57,636)	-	(46,727)	-
Amortization of insurance acquisition cash flows	4,060	-	3,542	-
Total commissions and expenses	**134,422**	**9,358**	**97,644**	**6,032**

8. DIRECTORS' AND KEY MANAGEMENT'S REMUNERATION

Director fees or endowments in the amount of US$187,000 were paid during 2024 (2023: US$124,000).

Other remuneration of key management personnel is paid by and recorded in the financial statements of a related company. A recharge of expenses is made to the Company as explained in note 24 (iii).

9. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

The assessable profits of the Company subject to Hong Kong profits tax are computed in accordance with the special provisions of the Hong Kong Inland Revenue Ordinance. Tax for the life insurance business, as defined by the Hong Kong Inland Revenue Ordinance, is computed at a rate of 16.5% of 5% of net premium (gross premium received less reinsurance premium ceded) of the life insurance business, in accordance with Section 23(1)(a) of the Hong Kong Inland Revenue Ordinance.

9. INCOME TAX (continued)

The Company has a profit before tax of US$19,688,000 in 2024 (Profit for 2023: US$42,562,000). The gross premiums received are US$135,508,000 (2023: US$128,136,000) and US$25,009,000 (2023: US$32,015,000) of reinsurance premiums were ceded. The gross premiums received from Hong Kong business are US$32,627,000 (2023: US$39,906,000) and US$18,313,000 (2023: US$24,100,000) of reinsurance premiums ceded.
Singapore income tax has been provided at the rate of 17% (2023: 17%) on the estimated chargeable income/allowable loss arising from the Company's Singapore operation during the year. The relevant chargeable loss in 2024 is US$3,285,000 (2023: Income US$35,828,000). The Company has tax losses of US$106,244,000 arising in Singapore during the year (2023: US$108,683,000).

	2024	2023
	US$'000	US$'000
Current – Hong Kong:		
Charge for the year	-	-
Current – Singapore:		
Charge for the year	-	-
Deferred – Hong Kong:		
Charge for the year	500	1,100
Deferred – Singapore:		
Charge for the year	1,428	3,027
	1,928	4,127

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A reconciliation of the tax expense applicable to profit before tax at the statutory rate to the tax expense at the effective tax rate for Hong Kong Branch ("HK Branch"), Singapore Branch ("SG Branch") and Bermuda Branch ("BM Branch"), is as follows:

	2024	2024	2024	2024
	US$'000 HK Branch	US$'000 SG Branch	US$'000 BM Branch	US$'000 Total
Profit/(Loss) before tax	7,534	16,274	(4,120)	19,688
Income Tax	(500)	(1,428)	-	(1,928)
Profits after tax	7,034	14,846	(4,120)	17,760
Profit/(Loss) before tax	**7,534**	**16,274**	**(4,120)**	**19,688**
Statutory tax rate	16.5%	17.0%	0.0%	
Tax	1,243	2,767	-	4,010
Results of life insurance business not taxable at Hong Kong statutory rate	(1,243)	-	-	(1,243)
Reversal of deferred tax asset recognised in prior year	(500)	-	-	(500)
Utilisation of deferred tax assets on tax loss	-	(2,439)	-	(2,439)
Deferred tax movement - SG	-	(1,074)	-	(1,074)
Others - difference	-	(328)	-	(328)
IFRS 17 impact	-	(354)	-	(354)
Income tax charge / (credit) for the year	**(500)**	**(1,428)**	**-**	**(1,928)**

9. INCOME TAX (continued)

	2023 US$'000 HK Branch	2023 US$'000 SG Branch	2023 US$'000 BM Branch	2023 US$'000 Total
Profit/(Loss) before tax	58,740	(12,836)	(3,341)	42,563
Income Tax	(1,100)	(3,027)	-	(4,127)
Profits after tax	58,740	(12,836)	(3,341)	42,563
Profit/(Loss) before tax				
Statutory tax rate	16.5%	17.0%	0.0%	
Tax	9,692	(2,182)	-	7,510
Results of life insurance business not taxable at Hong Kong statutory rate	(9,692)	-	-	(9,692)
Reversal of deferred tax asset recognised in prior year	(1,100)	-	-	(1,100)
Deferred tax movement - SG	-	(3,027)	-	(3,027)
Others - difference	-	2,182	-	(2,182)
Income tax charge / (credit) for the year	**(1,100)**	**(3,027)**	**-**	**(4,127)**

At 31 December 2024, the Company had no income tax payable (2023: receivable of US$246,000).

Deferred Tax
The movements in net deferred tax assets/(liabilities) during the year are as follows:

Deferred tax assets/ (liabilities)

	2024 US$'000 HK Branch Profit and loss	2024 US$'000 SG Branch Profit and loss	2024 US$'000 SG Branch IFRS 17 impact	2024 US$'000 Total Total deferred tax assets
At 1 January	3,800	18,173	2,242	24,215
Deferred tax (charged)/ credited during the year	(500)	(114)	892	278
At 31 December	3,300	18,059	3,134	24,493

9. INCOME TAX (continued)

Deferred Tax (continued)
Deferred tax assets/ (liabilities) (continued)

	2023 US$'000	2023 US$'000	2023 US$'000	2023 US$'000
	HK Branch	SG Branch	SG Branch	Total
	Profit and loss	Profit and loss	IFRS 17 impact	Total deferred tax assets
At 1 January	4,900	21,200	(2,500)	23,600
Deferred tax (charged)/ credited during the year	(1,100)	(3,027)	4,742	615
At 31 December	3,800	18,173	2,242	24,215

For presentation purposes, certain deferred tax assets and liabilities have been offset in the Statement of financial position. The following is an analysis of the deferred tax balances for financial reporting purposes:

	2024 US$'000	2024 US$'000	2023 US$'000	2023 US$'000
	HK Branch	SG Branch	HK Branch	SG Branch
Deferred tax assets	3,300	21,193	3,800	20,415
Deferred tax liabilities	-	-	-	-
Total net deferred tax assets	3,300	21,193	3,800	20,415

Deferred tax assets computed on deductible temporary differences and tax credits of:	2024 US$'000	2024 US$'000	2023 US$'000	2023 US$'000
	HK Branch	SG Branch	HK Branch	SG Branch
IFRS 17 impact	-	18,433	-	13,181
Taxable losses	112,917	106,230	114,196	106,907
Total deductible temporary differences and tax credits	112,917	124,663	114,196	120,088

9. INCOME TAX (continued)

Deferred Tax (continued)

Deferred tax assets/ (liabilities) (continued)

Deferred tax liabilities computed on taxable temporary differences and tax credits of:	2024	2024	2023	2023
	US$'000	US$'000	US$'000	US$'000
	HK Branch	SG Branch	HK Branch	SG Branch
Insurance reserves	-	-	-	-
Financial assets	-	-	-	-
Total taxable temporary differences and tax credits	-	-	-	-
Total temporary difference and tax credits:	112,917	119,829	114,196	143,116

Deferred tax assets in respect of deductible temporary differences are recognized to the extent that the realization of the related tax benefit through future taxable profits is probable. For the above amounts the recognition of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences. The company has tax loss of US$92,917,000 arising in Hong Kong during the year that are available indefinitely for offsetting against future Hong Kong taxable profit (2023: US$91,166,000). Deferred tax assets have not been recognised in respect of these losses.
All deferred taxes are non-current by nature.

10. INVESTMENTS

	2024	2024	2024
	US$'000	US$'000	US$'000
	Insurance contracts without direct part.	Non-Insurance	Total
Financial assets measured at FVOCI — With recycling	800,560	-	800,560
Financial assets measured at FVPL — mandatory	19,618	-	19,618
Total investments, excluding derivatives	820,178	-	820,178

10. INVESTMENTS (continued)

	2024	2024	2024	2024
	US$'000	US$'000	US$'000	US$'000
	FVOCI (with recycling) US$'000	FVPL (mandatory) US$'000	Total US$'000	Fair value US$'000
Debt securities	754,435	19,618	774,053	774,053
Money market and other short-term investments	46,125	-	46,125	46,125
31 December 2024	800,560	19,618	820,178	820,178

	2023	2023	2023
	US$'000	US$'000	US$'000
	Insurance contracts without direct part.	Non-Insurance	Total
Financial assets measured at FVOCI — With recycling	986,606	-	986,606
Financial assets measured at FVPL — mandatory	19,867	-	19,867
Total investments, excluding derivatives	1,006,473	-	1,006,473

	2023	2023	2023	2023
	US$'000	US$'000	US$'000	US$'000
	FVOCI (with recycling) US$'000	FVPL (mandatory) US$'000	Total US$'000	Fair value US$'000
Debt securities	813,071	19,867	832,938	832,938
Money market and other short-term investments	173,535	-	173,535	173,535
31 December 2023	986,606	19,867	1,006,473	1,006,473

11. DERIVATIVES NOT DESIGNATED IN A HEDGE

Derivatives not designated in a hedge – where TLB bears the risk	Derivative asset		Derivative liability	
	2024	2023	2024	2023
	US$'000	US$'000	US$'000	US$'000
Derivatives held as an economic hedge	7,986	-	-	-
Total	7,986	-	-	-

12. OTHER ASSETS AND RECEIVABLES

	2024	2023
	US$'000	US$'000
Receivables	1,073	4,455
Accrued income	9,435	9,659
Prepayments	1,799	2,107
Other debtors	2,332	1,603
	14,639	17,824

The carrying amounts disclosed above reasonably approximate to their fair values at the reporting date.

13. CASH AND CASH EQUIVALENTS

	2024	2023
	US$'000	US$'000
Cash at bank	65,139	81,372

Cash at bank earns interest at floating rates based on daily bank deposit rates.
The carrying amounts disclosed above reasonably approximate to their fair values at the reporting date.

14. FAIR VALUE HIERARCHY

The Company's financial assets and liabilities carried at fair value are classified, for disclosure purposes, based on a hierarchy defined by IFRS 13. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

	2024	2024	2024	2024
	US$'000 Quoted prices in active market (Level 1)	US$'000 Significant observable inputs (Level 2)	US$'000 Significant unobservable inputs (Level 3)	US$'000 Total
Financial assets carried at fair value				
Financial assets measured at FVOCI				
Debt securities	38,425	716,010	-	754,435
Money markets and Other short-term instruments	46,125	-	-	46,125
Total Financial assets measured at FVOCI	84,550	716,010	-	800,560
Financial assets measured at FVPL				
Debt securities	-	19,618	-	19,618
Derivatives assets	-	7,986	-	7,986
Total Financial assets measured at FVPL	-	27,604	-	27,604
Total financial assets at measured at fair value	84,550	743,614	-	828,164

14. FAIR VALUE HIERARCHY (continued)

As at 31 December 2023, the Company held the following financial instruments measured at fair value:

	2023 US$'000 Quoted prices in active market (Level 1)	2023 US$'000 Significant observable inputs (Level 2)	2023 US$'000 Significant unobservable inputs (Level 3)	2023 US$'000 Total
Financial assets carried at fair value				
Financial assets measured at FVOCI				
Debt securities	35,271	777,800	-	813,071
Money markets and Other short-term instruments	173,535	-	-	173,535
Total Financial assets measured at FVOCI	208,806	777,800	-	986,606
Financial assets measured at FVPL				
Debt securities	-	19,867	-	19,867
Total Financial assets measured at FVPL	-	19,867	-	19,867
Total financial assets at measured at fair value	208,806	797,667	-	1,006,473

Significant transfers between Level 1, Level 2 and Level 3
There have been no significant transfers between Level 1, 2 and 3 for financial assets and financial liabilities recorded at fair value on a recurring basis during the year.
Management has assessed that the fair values of assets and liabilities not measured at fair value including, receivables for securities, reinsurance receivables, prepayments and other debtors, accrued income, balances with related companies, cash and cash equivalents, accrued expenses and other creditors approximate their carrying amounts largely due to the short term maturities of these instruments.

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

General risks

As a life insurance company, the Company is in the “risk” business, and as a result is exposed to a variety of risks. The Company manages risk where business is transacted, based on principles and policies established at the TLIC and Aegon Ltd. level.

The operations of the Company are subject to local regulatory requirements in Bermuda, Hong Kong, and Singapore. The regulators are interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters and that the risk levels are at acceptable levels.

Results of the Company’s sensitivity analyses are presented throughout this section to show the estimated sensitivity of net income and equity to various scenarios. For each type of market risk, the analysis shows how net income and equity would have been affected by changes in the relevant risk variable that were reasonably possible at the reporting date.

Each sensitivity analysis reflects the extent to which the shock tested would affect management’s critical accounting estimates and judgment in applying the Company’s accounting policies. Market-consistent assumptions underlying the measurement of non-listed assets and liabilities are adjusted to reflect the shock tested. The shock may also affect the measurement of assets and liabilities based on assumptions that are not observable in the market. Although management’s short-term assumptions may change if there is a reasonable change in a risk factor, long-term assumptions will generally not be revised unless there is evidence that the movement is permanent. This fact is reflected in the sensitivity analyses provided below.

The sensitivities do not reflect what the net income for the period would have been if risk variables had been different because the analysis is based on the exposures in existence at the reporting date rather than on those that actually occurred during the year. Nor are the results of the sensitivities intended to be an accurate prediction of future equity or earnings. The analysis does not take into account the impact of future new business, which is an important component of future earnings. It also does not consider all methods available to management to respond to changes in the financial environment, such as changing investment portfolio allocations or adjusting premiums and crediting rates. Furthermore, the results of the analyses cannot be extrapolated for wider variations since effects do not tend to be linear. No risk management process can clearly predict future results.

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Insurance risk

The Company is in the business of insuring against the risk of mortality, disability, accidents, and related risks.

Generally speaking, the Company retained all of the first US$1,000,000 face amount per policy, namely, First Dollar Retention. For face amount in excess of US$1,000,000, the Company had a 50:50 quota share with third party reinsurers (TPR), subject to a maximum retention of $10,000,000 per life. The form of reinsurance arrangements are yearly renewal term (YRT). This retention structure applies to both UL and Term business.

As part of the Company's quality control process, the Company regularly allows reinsurers to audit its underwriting and claim practices and procedures to ensure that they meet the highest industry standards.

Underwriting risk

The Company's earnings depend upon the extent to which actual claims experience is consistent with the assumptions used in setting the prices for products and establishing the technical liabilities. To the extent that actual claims experience is less favorable than the underlying assumptions used in establishing such liabilities, income would be reduced. Furthermore, if these higher claims were part of a permanent trend, the Company might be required to increase liabilities, which could reduce income. Note that the impact of mortality changes is largely offset by significant use of third-party reinsurance and affiliate coinsurance. Sensitivity analysis of net income and shareholder's equity to various underwriting risks is shown in the table that follows. The sensitivities represent an increase or decrease of lapse and mortality rates. The impact on benefit payments from changes in lapse rates will be offset by changes in provisions. Increases in mortality rates lead to an increase in the level of benefits and claims and liabilities. The impact on net income and equity of sales transactions of investments required to meet the higher cash outflow are reflected in the sensitivities. Sensitivity analysis of CSM, net income and shareholders' equity to changes in various underwriting risks

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Underwriting risk (continued)

	2024	2024	2024	2024	2024	2024
	US$'Million	US$'Million	US$'Million	US$'Million	US$'Million	US$'Million
Estimated approximate effect	On CSM	On CSM	On Shareholders' equity	On Shareholders' equity	On net income	On net income
	Gross of reinsurance	**Net of reinsurance**	**Gross of reinsurance**	**Net of reinsurance**	**Gross of reinsurance**	**Net of reinsurance**
20% increase in lapse rates	(23)	(1)	(7)	1	(7)	1
20% decrease in lapse rates	41	15	1	(5)	1	(5)
5% increase in mortality rates	(23)	(2)	(28)	(2)	(28)	(2)
5% decrease in mortality rates	34	(10)	18	14	18	14
5% increase in expenses	(4)	(4)	(3)	(3)	(3)	(3)
5% decrease in expenses	4	4	3	3	3	3

	2023	2023	2023	2023	2023	2023
	US$'Million	US$'Million	US$'Million	US$'Million	US$'Million	US$'Million
Estimated approximate effect	On CSM	On CSM	On Shareholders' equity	On Shareholders' equity	On net income	On net income
	Gross of reinsurance	**Net of reinsurance**	**Gross of reinsurance**	**Net of reinsurance**	**Gross of reinsurance**	**Net of reinsurance**
20% increase in lapse rates	-	12	(33)	(16)	(33)	(16)
20% decrease in lapse rates	28	3	16	6	16	6
5% increase in mortality rates	(48)	(2)	(7)	(1)	(7)	(1)
5% decrease in mortality rates	66	1	(11)	2	(11)	2
5% increase in expenses	(8)	(9)	-	-	-	-
5% decrease in expenses	8	8	-	-	-	-

A shock in mortality rates will generally not lead to a change in the assumptions underlying the measurement of the insurance contract liabilities, as management will recognize that the shock is temporary. However, a long-term expected change in mortality expectations will lead to a change in liabilities.

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk

Market risk is the risk of changes in fair value of financial instruments from fluctuation in foreign exchange rates (currency risk), market interest rates (interest rate risk), and market prices (price risk), whether such changes in price are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. These risks have been discussed in the aforesaid sections.

Credit risk

Premium receivables (included in premiums deferred and uncollected)

The credit risk in respect of customer balances, incurred on the non-payment of premiums or contributions, will only persist during the grace period specified in the policy documents or trust deed on the expiry of which either the premium is paid or the policy will be terminated or changed to reduced paid-up or term cover according to the provision of the policy.

Investment securities

The Company limits its exposure by setting minimum limits of its portfolio mix in fixed-interest securities and maximum limits of its portfolio mix in equities and other investments. The Company also sets maximum limits on currency, maturity, and credit limit on its fixed-income portfolios. The Company only deals with institutions with high creditworthiness.

It is the Company’s investment policy to invest in investment-grade fixed-interest securities to limit exposure to credit risk. The Company allows a maximum of 15% of invested assets to be invested in non-investment-grade (below Standard & Poor’s rating BBB-) fixed-interest securities. At 31 December 2024 and 2023, the amount of the non-investment-grade fixed-interest securities held by the Company was approximately 6.09% and 5.24% of its invested assets, respectively.

Reinsurance

Certain premiums and benefits are assumed from and ceded to other insurance companies under various reinsurance agreements. The Company reinsures portions of the risk on certain insurance policies which exceed its established limits, thereby providing a greater diversification of risk and minimizing exposure on larger risks. The Company remains primarily liable with respect to any insurance ceded and would not be relieved of this liability in the event that the assuming insurance company became unable to meet its obligation under the reinsurance treaty.

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Credit rating

The ratings distribution of the Company's invested assets, organized by rating category, is presented in the table below. Disclosures of ratings follow the Company's Credit Name Limit Policy ("CNLP"). Under the CNLP, a composite rating is used which is based on a combination of the ratings received from external rating agencies.

	2024	2023
	US$'000	US$'000
AAA	32,640	33,041
AA+	30,805	33,673
AA	34,365	45,304
AA-	14,066	10,431
A+	98,296	223,166
A	117,497	119,209
A-	97,338	109,677
BBB+	111,122	97,972
BBB	146,668	137,385
BBB-	87,449	143,862
BB+	13,877	13,745
BB	9,773	4,852
BB-	15,203	18,772
B+	3,576	6,867
B	821	750
B-	654	1,244
CCC+	789	618
CCC	423	5,136
CCC-	-	-
CC	4,372	284
C	-	-
D	444	485
Not rated	-	-
Total invested assets	820,178	1,006,473

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Past due but not impaired assets

An asset is past due when a counterparty has failed to make a payment when contractually due. Assets are impaired when there is objective evidence of impairment which results in an impairment charge to profit or loss relating to this asset. After the impairment loss is reversed in subsequent periods, the asset is no longer considered to be impaired. When the terms and conditions of financial assets have been renegotiated, the terms and conditions of the new agreement apply in determining whether the financial assets are past due. No securities were past due but not impaired as at 31 December 2024.

Recognition and measurement of ECL

IFRS 9 outlines a 'three-stage' model for impairment based on relative changes in credit quality since initial recognition:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1'.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.

Credit risk is continuously monitored by the Company in all the above stages.

Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that result from default events possible within the next 12 months. Financial instruments in Stages 2 or 3 have their ECL measured based on ECL on a lifetime basis. Purchased or originated credit-impaired financial assets are those financial assets that are credit impaired on initial recognition. Their ECL is always measured on a lifetime basis.

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Recognition and measurement of ECL (continued)

Following this assessment, IFRS 9 requires the incorporation of multiple, forward looking macro- scenarios to derive the ECL provision. IFRS 9 requires that the measurement of ECL represents an unbiased probability-weighted amount that is to be determined by:

- evaluating a range of possible outcomes;
- use reasonable and supportable information available without undue cost and effort about past events;
- current conditions; and
- forecasts of future economic conditions

When incorporating forward-looking information, consideration should be given to the relevance of the information (and the availability of more relevant information) for each specific financial instrument or group of financial instruments. Forward looking information that is relevant for one financial instrument may not be relevant or as relevant for other financial instruments depending on the specific drivers of credit risk. To the extent relevant, forward-looking information used for the measurement of ECLs it needs to be consistent with that used for the assessment of a significant increase in credit risk. The models used by the Company generally employ a Probability of Default (PD) / Loss Given Default (LGD) / Exposure at Default (EAD) methodology; each model consists of multiple sub-models that are used to generate the measurement of ECL.

Credit losses are calculated as the product of projected PD, LGD and EAD and are discounted using an appropriate discount rate. The ECL is determined as the probability weighted discounted credit losses that are determined for different scenarios (i.e., base, positive, adverse).

Given the need to adapt the models to the different portfolio characteristics, all ECL models have different key judgements and assumptions. As such, the below paragraphs outline the key judgements and assumptions made by the Company in addressing the key requirements on a model-by-model basis.

TLB employs separate models to calculate ECL on each category of financial assets.
For bonds and private placements, TLB applies a global correlation model. It provides correlations of credit quality movements across different asset classes, linked with movements in the macro economy. Global correlation model is therefore used for determining the conditional PD and LGD, given a macroeconomic scenario. Unconditional PD and LGD curves are modelled with use of different methods for sovereign debt, corporate bonds and private placements.

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)
Recognition and measurement of ECL (continued)
For mortgage-backed securities the parameters are estimated with commercial mortgage metrics which uses corporate bond PD and LGD estimates further adjusted with other assumptions based on debt service coverage and loan-to-value ratios.

The company applies a separate model for asset-backed securities, which pools the instruments based on the underlying collateral and estimates credit loss parameters collectively. Collateralized debt (loan) obligations (CDOs and CLOs) are special types of asset-backed securities to which a different set of models are applied depending on region of the exposure.

Significant increase in credit risk
The company considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Asset Class	Quantitative criteria	Qualitative criteria	Backstop criteria
Debt securities	Relative changes in rating	Watchlist approach	No other backstop applied
Structured finance	Relative changes in rating	Watch list approach	30 days past due backstop
Deposits with financial institutions	Relative changes in rating	Watch list approach	No other backstop applied

Depending on the original credit rating, a decline in rating by 6 notches from AAA; 5 from AA+ - A+; 4 from A – BB; 3 from BB- - B-; 2 from CCC+ and 1 from CCC is deemed significant increase in credit risk.

Quantitative criteria
For debt securities, structured finance securities and deposits with financial institutions the relative change of the credit rating is used as primary indicator to assess significant increase in credit risk, for this purpose external credit ratings are used.

Qualitative criteria
For debt securities, structured finance securities and deposits with financial institutions the watch-list approach is applied as an additional qualitative criterion. The watch-list approach means exposure of instruments on the watch list are intensively monitored.

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)
Qualitative criteria (continued)
Financial assets are added to the watch-list based on if their relative change in fair value has surpassed a predetermined threshold:

- The fair value either drops to 80% and below the (amortized) cost price and stays there for six months; or
- The fair value falls by 20% over 3 months; or
- The fair value falls to 60% and below the (amortized) cost price.

In relation to debt securities where a watchlist is used to monitor credit risk, this assessment is performed at the counterparty level and on a periodic basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by TLB.

Backstop
A backstop is applied to exposures considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments in case of structured finance. No backstop is applied to the other asset classes. TLB has used the low credit risk exemption for debt instruments. Debt instruments that have a credit rating which responds with ‘investment grade’ (rating ‘BBB’ or higher) are considered as having low credit risk. As such, external and internal credit ratings are used respectively for these assets to assess whether a significant increase in credit risk has occurred.

Low credit risk exemption is applied for staging purposes on instruments rated BBB and higher. (IFRS 9 provides an exception for financial instruments that have low credit risk at the reporting date, commonly referred to as the “low credit risk exemption” or LCRE, it is an exception to the general model where entities have an option not to assess whether credit risk has increased significantly since initial recognition if the credit risk is considered low.)

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Definition of default and credit-impaired assets

TLB assesses a financial instrument to be in default or credit-impaired using the following criteria:

Asset Class	Quantitative criteria	Qualitative criteria
Debt securities	No backstop applied	Rating falling to "D" (external or internal) Breach of significant covenants without reasonably supportable waiver obtained Distressed restructuring taking place Bankruptcy or an equivalent of an injunction for the obligor was filed Obligor was classified as default internally
Deposits with financial institution	No backstop applied	Rating falling to "D" (external or internal) Breach of significant covenants without reasonably supportable waiver obtained Distressed restructuring taking place Bankruptcy or an equivalent of an injunction for the obligor was filed Obligor was classified as default internally
Structured securities	90 days past due backstop	Rating falling to "D" (external or internal) Loss coverage ratio (Ratio of credit-related losses to the par value of a debt security is below 1
Receivables	90 days past due backstop	

Distressed restructuring means material forgiveness, or postponements of principal, interest, or where relevant, fees which is likely to result in a diminished financial obligation. In addition to the criteria included in the table above, TLB identifies other indicators of unlikeliness to pay, which include but are not limited to the following:

- a borrower’s sources of recurring income are no longer available to meet the payments of instalments;
- there are justified concerns about a borrower’s future ability to generate stable and sufficient cash flows;
- the borrower’s overall leverage level has significantly increased beyond applicable limits or there are justified expectations of such changes to leverage;
- for the exposures to an individual: default of a company fully owned by a single individual where this individual provided the institution with a personal guarantee for all obligations of a company;
- material fraud; or
- death of a client.

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Definition of default and credit-impaired assets (continued)

All the criteria above have been applied to the financial instruments held by TLB and are consistent with the definition of default used for internal credit risk management purposes. The definition of default has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) throughout TLB's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have 'cured') when it no longer meets any of the default criteria for a consecutive period of six months and an assessment has shown the obligor is no longer unlikely to pay. This period of six months considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

Measuring ECL – inputs, assumptions and estimation techniques

The ECL is measured on either a '12-month basis' (Stage 1) or 'lifetime basis' (Stages 2 and 3), depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired.

The ECL are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Company expects to be owed at the time of default.
- Loss Given Default (LGD) represents TLB's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD).

The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof. The lifetime PD is calculated for a financial instrument that results in default by summing the probabilities of all future developments which end-up in the ECL. All possible future developments are enumerated and for each future development a probability is calculated.

The possibility of full prepayment is included among all possible future developments. For each possible future development, the probability is estimated using statistical modelling techniques.

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Measuring ECL – inputs, assumptions and estimation techniques (continued)
Forward-looking economic information is included in determining the 12-month and lifetime ECL, and lifetime PD by using a set of variables describing the state of the macro economy as input in the calculation of the probability of default and prepayment. As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Company measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which TLB is exposed to credit risk, even if the Company considers a longer period.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Forward-looking information incorporated in the ECL models
The assessment of significant increase in credit risk (SICR) and the calculation of ECL both incorporate forward-looking information. TLB has performed historical analysis and identified the key economic variables impacting credit risk and ECL for each portfolio.

These economic variables and their associated impact on the ECL and Lifetime PD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") give the best estimate view of the economy over the next five years. After five years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to either a long run average rate (e.g. for unemployment) or a long run average growth rate (e.g. GDP) over a period of three years. Statistical regression analysis has been performed to understand the impact changes in these macroeconomic variables have had historically on default and prepayment rates.

Using the base scenario as a starting point, three macro-economic scenarios are generated by applying shocks to the macro-economic variables in a positive and negative direction, taking into account their correlation as historically observed, resulting in a positive, neutral and negative scenario. The shocks applied correspond to the historical average deviance from the long term mean observed in the best/worst 10% of the historically observed quarters. The ECL is calculated for each of the three scenarios, multiplied by the scenario weighting, and summed. The use of multiple economic scenarios ensures that the ECL represents the best estimate of ECL and is not merely the credit loss in the most likely scenario.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore, the actual outcomes may be significantly different to those projected. The Company considers these forecasts to represent its best estimate of the possible outcomes.

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Write-off policy

The Company writes-off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity; and (ii) where TLB's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Company may write-off financial assets that are still subject to enforcement activity. There is no write-off in 2024. The Company still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

Information about amounts arising from ECL

TLB regularly monitors industry sectors and individual debt securities for sources of changes in the ECL allowance. These sources may include one or more of the following:

- Transfers between Stages 1, 2 and 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and lifetime ECL;
- Additional allowances for new financial instruments recognized during the period, as well as releases for financial instruments de-recognized in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and,
- Financial assets derecognized during the period and write-offs of allowances related to assets that were written off during the period.

Additionally, for asset-backed securities, cash flow trends and underlying levels of collateral are monitored. Furthermore, quality ratings of investment portfolios are based on a composite of the main rating agencies (S&P, Moody's and Fitch) and TLB's internal rating of the counterparty. The following tables explain the changes in the loss allowance changes between the beginning and the end of the annual period due to these factors:

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Information about amounts arising from ECL (continued)

	2024	2024	2024	2024	2024	2024	2024	2024
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
	Gross amount	Gross amount	Gross amount	Gross amount	ECL	ECL	ECL	ECL
	Stage 1 (12month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total gross amount	Stage 1 (12month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total ECL
Debt securities								
Balance at 31 December prior year	**805,348**	**7,164**	**559**	**813,071**	**(2,856)**	**(2,174)**	**(5,072)**	**(10,102)**
Acquis/addition/acquired/ deposits-Operating	172,202	256	-	172,458	(1,185)	(53)	-	(1,238)
Disposal/redemption/repayment/withdrawal/sale-Operating	(214,744)	(1,880)	(354)	(216,978)	757	99	975	1,831
Transfers:	(246)	(4,073)	4,319	-	(11)	1,745	(1,734)	-
ECL transfer From stage 1 to stage 2	(741)	741	-	-	11	(11)	-	-
ECL transfer From stage 1 to stage 3	-	-	-	-	-	-	-	-
ECL transfer From stage 2 to stage 1	495	(495)	-	-	(22)	22	-	-
ECL transfer From stage 2 to stage 3	-	(4,319)	4,319	-	-	1,734	(1,734)	-
ECL transfer From stage 3 to stage 2	-	-	-	-	-	-	-	-
ECL transfer From stage 3 to stage 1	-	-	-	-	-	-	-	-
Impact on year end ECL	-	-	-	-	16	(24)	(4,391)	(4,399)
Amortizations through income statement	644	13	43	700	-	-	-	-
Unrealized gains/losses through equity	(12,853)	(544)	56	(13,341)	-	-	-	-
Movements related to fair value hedges	-	-	-	-	-	-	-	-
Change in models	-	-	-	-	11	171	98	280
Transfer to/from other headings	(1,475)	-	-	(1,475)	-	-	-	-
Ending balance	**748,876**	**936**	**4,623**	**754,435**	**(3,268)**	**(236)**	**(10,124)**	**(13,628)**

The total amount of undiscounted ECL at 31 December 2024 for purchased or originated credit-impaired financial assets recognized during the period was nil.

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Information about amounts arising from ECL (continued)

	2023	2023	2023	2023	2023	2023	2023	2023
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
	Gross amount	Gross amount	Gross amount	Gross amount	ECL	ECL	ECL	ECL
	Stage 1 (12month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total gross amount	Stage 1 (12month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total ECL
Debt securities								
Balance at 31 December prior year	**1,151,959**	**7,427**	**1,102**	**1,160,488**	**(3,871)**	**(2,062)**	**(5,159)**	**(11,092)**
Acquis/addition/acquired/ deposits-Operating	120,510	-	-	120,510	(915)	-	-	(915)
Disposal/redemption/repayment/withdrawal/sale-Operating	(486,541)	(3,744)	(263)	(490,548)	1,169	65	339	1,573
Transfers:	(1,981)	1,923	58	-	34	24	(58)	-
ECL transfer From stage 1 to stage 2	(1,981)	1,981	-	-	34	(34)	-	-
ECL transfer From stage 1 to stage 3	-	-	-	-	-	-	-	-
ECL transfer From stage 2 to stage 1	-	-	-	-	-	-	-	-
ECL transfer From stage 2 to stage 3	-	(58)	58	-	-	58	(58)	-
ECL transfer From stage 3 to stage 2	-	-	-	-	-	-	-	-
ECL transfer From stage 3 to stage 1	-	-	-	-	-	-	-	-
Impact on year end ECL	-	-	-	-	-	(356)	(240)	(596)
Amortizations through income statement	(516)	(22)	244	(294)	-	-	-	-
Unrealized gains/losses through equity	23,542	1,580	(582)	24,540	-	-	-	-
Movements related to fair value hedges	-	-	-	-	-	-	-	-
Change in models	-	-	-	-	727	155	46	928
Transfer to/from other headings	(1,625)	-	-	(1,625)	-	-	-	-
Ending balance	**805,348**	**7,164**	**559**	**813,071**	**(2,856)**	**(2,174)**	**(5,072)**	**(10,102)**

The total amount of undiscounted ECL at 31 December 2023 for purchased or originated credit-impaired financial assets recognized during the period was nil.

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)
Sensitivity on ECL to future-economic conditions
ECL are sensitive to judgments and assumptions made regarding the formulation of forward looking scenarios and how such scenarios are incorporated into the calculations. TLB performs a sensitivity analysis on the ECL recognized on material classes of its assets. As ECL is not material at the end of 2024 and 2023, sensitivity on ECL is being assessed to be not material for 2024 and 2023 either

Interest rate risk
Interest rate risk is the risk that the value or the future cash flows of a financial instrument will fluctuate because of changes in interest rates.

The Company's interest risk policy requires it to manage the interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest-bearing financial assets and interest-bearing financial liabilities.

An analysis of TLB's sensitivity to a 100 basis points parallel increase or decrease in market interest rates at the reporting date, assuming that all other variables remain constant, is presented below:

Estimated approximate effects on:	2024	2024	2024
	US$'Million	US$'Million	US$'Million
	CSM	Net Income	Shareholders' equity
100 bps increase - Yield curve			
Financial instruments	-	-	(41)
Insurance and reinsurance assets	-	-	(281)
Insurance and reinsurance contract liabilities	(1)	-	307
100 bps decrease - Yield curve			
Financial instruments	-	-	41
Insurance and reinsurance assets	-	-	453
Insurance and reinsurance contract liabilities	-	-	(476)

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

Estimated approximate effects on:

	2023	2023	2023
	US$'Million	US$'Million	US$'Million
	CSM	Net Income	Shareholders' equity
100 bps increase - Yield curve			
Financial instruments	-	-	(43)
Insurance and reinsurance assets	-	-	(350)
Insurance and reinsurance contract liabilities	-	-	373
100 bps decrease - Yield curve			
Financial instruments	-	-	43
Insurance and reinsurance assets	-	-	514
Insurance and reinsurance contract liabilities	-	-	(534)

Foreign currency risk

The Company's policy is to match its assets and liabilities by currency to minimize its exposure to currency risk. The Company sells policies denominated in United States dollars, and its assets are appropriately invested to meet these liabilities. As at the reporting date, there were no investments denominated in foreign currency. The Company's foreign currency exposure is from transactions denominated in Hong Kong dollar and other foreign currencies. While Hong Kong dollar is pegged to the United States dollar, the balance of other foreign currency liabilities is not material.

Equity risk

The Company's price risk exposure relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities not held for the account of unit-linked business.

Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

The Company's price risk policy requires it to manage such risk by setting and monitoring objectives and constraints on investments and diversification plans and to limit the investment in each country, sector, and market.

Significant changes in equity markets are not expected to have a material impact on the Company's net income or equity due to limited equity investments.

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

Liquidity risk is inherent in the Company's business. Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash commitments associated with financial instruments. Liquidity risk may result from the inability to sell financial assets quickly at their fair values, counterparty failing to repay contractual obligation, insurance liability falling due for payment earlier than expected or inability to generate cash inflows as anticipated.

The major liquidity risks the Company confronts are the daily calls on its available cash resources in respect of claims arising from insurance.

The Company manages liquidity through a company liquidity risk policy, which includes determining what constitutes liquidity risk for the Company and the minimum proportion of funds to meet emergency calls, the setting up of contingency funding plans, specifying the sources of funding and the events that would trigger the plan, specifying the concentration of funding sources, the reporting of liquidity risk exposures and breaches to the monitoring authority, monitoring the compliance with liquidity risk policy, and the reviewing of the Company's liquidity risk policy for pertinence and changing environment.
The following table provides a maturity analysis of TLB's insurance and reinsurance contracts, which reflects the dates on which the cash flows are expected to occur. The cash flows presented below represent the best estimate liability for the relevant periods.

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

15. **2024**

	< 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	> 5 years	Total Best estimate liability
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Remaining contractual undiscounted net cash flows							
Insurance contracts:							
- Without direct participation contracts	(329,358)	(295,765)	(280,839)	(275,447)	(282,082)	(11,533,961)	(12,997,452)
Reinsurance contracts held, in a liability position	(11,485)	(12,807)	(12,570)	(13,196)	(13,781)	(646,882)	(710,721)
At 31 December 2024	(340,843)	(308,572)	(293,409)	(288,643)	(295,863)	(12,180,843)	(13,708,173)
Risk adjustment for non financial risk							
Insurance contracts:							
- Without direct participation contracts	(9,357)	(8,002)	(7,227)	(6,732)	(6,545)	(116,852)	(154,715)
Reinsurance contracts held, in a liability position	2,150	2,284	2,134	2,129	2,109	32,180	42,986
At 31 December 2024	(7,207)	(5,718)	(5,093)	(4,603)	(4,436)	(84,672)	(111,729)

2023

	< 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	> 5 years	Total Best estimate liability
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Remaining contractual undiscounted net cash flows							
Insurance contracts:							
- Without direct participation contracts	(551,593)	(400,049)	(330,501)	(304,719)	(288,424)	(12,271,613)	(14,146,899)
Reinsurance contracts held, in a liability position	(11,508)	(12,833)	(12,590)	(13,217)	(13,799)	(646,762)	(710,709)
At 31 December 2023	(563,101)	(412,882)	(343,091)	(317,936)	(302,223)	(12,918,375)	(14,857,608)
Risk adjustment for non financial risk							
Insurance contracts:							
- Without direct participation contracts	(14,877)	(10,266)	(8,107)	(7,151)	(6,465)	(121,931)	(168,797)
Reinsurance contracts held, in a liability position	1,672	1,772	1,664	1,671	1,666	37,809	46,254
At 31 December 2023	(13,205)	(8,494)	(6,443)	(5,480)	(4,799)	(84,122)	(122,543)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The tables below analyze certain non-derivative financial liabilities of the Company as at 31 December 2024 and 2023, into their relevant maturity group based on their remaining periods at the reporting date to their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows. (For Structured Securities, expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.)

At 31 December 2024

	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Financial liabilities:							
	1 year or less	**2 years or less but > 1 year**	**3 years or less but > 2 years**	**4 years or less but > 3 years**	**5 years or less but > 4 years**	**> 5 years**	**Total**
Accrued expenses and other creditors	**26,136**	**-**	**-**	**-**	**-**	**-**	**26,136**
Lease liabilities	**1,270**	**382**	**169**	**6**	**-**	**-**	**1,827**
Payable to related companies	**2,615**	**-**	**-**	**-**	**-**	**-**	**2,615**
	30,021	**382**	**169**	**6**	**-**	-	**30,578**

At 31 December 2023

	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Financial liabilities:							
	1 year or less	**2 years or less but > 1 year**	**3 years or less but > 2 years**	**4 years or less but > 3 years**	**5 years or less but > 4 years**	**> 5 years**	**Total**
Accrued expenses and other creditors	**6,926**	**-**	**-**	**-**	**-**	**-**	**6,926**
Lease liabilities	**2,385**	**1,275**	**387**	**171**	**6**	**-**	**4,224**
Payable to related companies	**1,125**	**-**	**-**	**-**	**-**	**-**	**1,125**
	10,436	**1,275**	**387**	**171**	**6**	**-**	**12,275**

16. INSURANCE CONTRACTS, REINSURANCE CONTRACTS HELD

Capital management

Externally imposed capital requirements are set and regulated by the Hong Kong Insurance Ordinance. These requirements are put in place to ensure sufficient solvency margins and to safeguard the Company's ability to continue as a going concern.

The Company discloses its capital as equity in the Statement of Financial Position. The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis, in accordance with the Hong Kong Insurance Ordinance.

The Company fully complied with the externally imposed capital requirements during the reported period, and no changes were made to its objectives, policies and processes from the previous period.

Contracts under general measurement model

The following tables show the assets and liabilities for groups of insurance contracts issued and reinsurance contracts held by measurement model.

	US$'000
Insurance contracts	
Portfolios in an asset position	(3,531)
Portfolios in a liability position	5,687,386
Net closing balance at 31 December 2024	5,683,855
Portfolios in an asset position	(3,717)
Portfolios in a liability position	6,501,278
Net closing balance at 31 December 2023	6,497,561
Reinsurance contracts held	
Portfolios in an asset position	5,360,009
Portfolios in a liability position	(215,216)
Net closing balance at 31 December 2024	5,144,793
Portfolios in an asset position	6,239,770
Portfolios in a liability position	(233,162)
Net closing balance at 31 December 2023	6,006,608

16. INSURANCE CONTRACTS, REINSURANCE CONTRACTS HELD (continued)

Movements in carrying amounts on insurance contracts and reinsurance contracts held

The following tables show the movement in the net carrying amounts of insurance contracts issued, investment contracts with discretionary participating features issued and reinsurance contracts held. Two types of tables are presented:

- Tables that analyze movements by type of liabilities and reconciles them to the income statement and the statement of comprehensive income
- Tables that analyze movements by measurement component
-

Movement schedules by type of liability

Insurance contracts

	US$'000	US$'000	US$'000	US$'000
	Liabilities for Remaining coverage			
	Excluding loss component	Loss component	Liabilities for Incurred claims	Total
Opening assets	(3,717)	-	-	(3,717)
Opening liabilities	6,372,754	57,311	71,213	6,501,278
Net opening balance at 1 January 2024	6,369,037	57,311	71,213	6,497,561
Insurance revenue	(127,240)	-	-	(127,240)
Incurred claims and other insurance service expenses	-	(6,179)	76,469	70,290
Amortization of insurance acquisition cash flows	4,060	-	-	4,060
Losses on onerous contracts	-	60,072	-	60,072
Insurance service expenses	4,060	53,893	76,469	134,422
Investment components	(888,292)	-	888,292	-
Insurance service result	**(1,011,472)**	**53,893**	**964,761**	**7,182**
Insurance finance income / (expenses) (P&L and OCI)	46,812	(3,420)	-	43,392
Cash flows	77,317	-	(941,597)	(864,280)
Net closing balance at 31 December 2024	**5,481,694**	**107,784**	**94,377**	**5,683,855**
Closing assets	(3,531)	-	-	(3,531)
Closing liabilities	5,485,225	107,784	94,377	5,687,386

16. INSURANCE CONTRACTS, REINSURANCE CONTRACTS HELD (continued)

Movement schedules by type of liability (continued)

Insurance contracts

	US$'000	US$'000	US$'000	US$'000
	Liabilities for remaining coverage			
	Excluding loss component	Loss component	Liabilities for Incurred claims	Total
Opening assets	-	-	-	-
Opening liabilities	6,757,576	37,028	64,829	6,859,433
Net opening balance at 1 January 2023	**6,757,576**	**37,028**	**64,829**	**6,859,433**
Insurance revenue	(139,952)	-	-	(139,952)
Incurred claims and other insurance service expenses	-	(2,381)	72,546	70,165
Amortization of insurance acquisition cash flows	3,542	-	-	3,542
Losses on onerous contracts	-	23,937	-	23,937
Insurance service expenses	3,542	21,556	72,546	97,644
Investment components	(893,075)	-	893,075	-
Insurance service result	**(1,029,485)**	**21,556**	**965,621**	**(42,308)**
Insurance finance income / (expenses) (P&L and OCI)	556,247	(1,273)	-	554,974
Cash flows	84,637	-	(959,237)	(874,600)
Net exchange differences	62	-	-	62
Net closing balance at 31 December 2023	**6,369,037**	**57,311**	**71,213**	**6,497,561**
Closing assets	(3,717)	-	-	(3,717)
Closing liabilities	6,372,754	57,311	71,213	6,501,278

16. INSURANCE CONTRACTS, REINSURANCE CONTRACTS HELD (continued)

Movement schedules by type of liability (continued)

Reinsurance contracts held

	US$'000	US$'000	US$'000	US$'000
	Asset for remaining coverage			
	Excluding loss recovery component	Loss recovery component	Asset for Incurred claims	Total
Opening assets	6,165,005	22,905	51,860	6,239,770
Opening liabilities	(233,162)	-	-	(233,162)
Net opening balance at 1 January 2024	5,931,843	22,905	51,860	6,006,608
Net expenses from reinsurance contracts	(80,952)	41,889	47,180	8,117
Other reinsurance finance income / (expenses)	9,836	(6,422)	-	3,414
Investment components	(857,784)	-	857,784	-
Effect of changes in risk of non-performance of reinsurers	(25)	-	-	(25)
Total changes in the statements of P&L and OCI	(928,925)	35,467	904,964	11,506
Cash flows	13,948	-	(887,269)	(873,321)
Net closing balance at 31 December 2024	5,016,866	58,372	69,555	5,144,793
Closing assets	5,232,082	58,372	69,555	5,360,009
Closing liabilities	(215,216)	-	-	(215,216)

16. INSURANCE CONTRACTS, REINSURANCE CONTRACTS HELD (continued)

Movement schedules by type of liability (continued)

Reinsurance contracts held

	US$'000	US$'000	US$'000	US$'000
	Asset for remaining coverage			
	Excluding loss recovery component	Loss recovery component	Asset for Incurred claims	Total
Opening assets	6,552,420	22,478	107,778	6,682,676
Opening liabilities	(210,693)	-	-	(210,693)
Net opening balance at 1 January 2023	6,341,727	22,478	107,778	6,471,983
Net expenses from reinsurance contracts	(89,757)	1,636	51,612	(36,509)
Other reinsurance finance income / (expenses)	492,953	(1,209)	-	491,744
Investment components	(851,026)	-	851,026	-
Effect of changes in risk of non-performance of reinsurers	22,907	-	-	22,907
Total changes in the statements of P&L and OCI	(424,923)	427	902,638	478,142
Cash flows	15,039	-	(958,556)	(943,517)
Net exchange differences	-	-	-	-
Net closing balance at 31 December 2023	5,931,843	22,905	51,860	6,006,608
Closing assets	6,165,005	22,905	51,860	6,239,770
Closing liabilities	(233,162)	-	-	(233,162)

16. INSURANCE CONTRACTS, REINSURANCE CONTRACTS HELD (continued)

Movement schedules by measurement component

Insurance contracts

	US$'000 Best estimate liability	US$'000 Risk adjustment	US$'000 Contractual service margin	US$'000 Total
Opening assets	(6,861)	781	2,363	(3,717)
Opening liabilities	6,075,247	168,797	257,234	6,501,278
Net opening balance, at 1 January 2024	6,068,386	169,578	259,597	6,497,561
Changes in estimates that adjust contractual service margin	27,142	(2,525)	(24,617)	-
Changes in estimates that result in onerous contracts	45,130	1,939	-	47,069
New contracts issued — non-onerous	(13,847)	3,334	10,513	-
New contracts issued — onerous	11,099	1,904	-	13,003
Changes that relate to future service	69,524	4,652	(14,104)	60,072
Earnings released from contractual service margin	-	-	(23,337)	(23,337)
Release of risk adjustment	-	(12,715)	-	(12,715)
Experience adjustments on current service	(16,838)	-	-	(16,838)
Changes that relate to current service	(16,838)	(12,715)	(23,337)	(52,890)
Insurance service result	52,686	(8,063)	(37,441)	7,182
Interest accreted to insurance contracts	274,690	7,182	8,807	290,679
Changes in interest rates and other financial assumptions	(307,867)	(12,262)	-	(320,129)
Revaluation of changes in non-financial assumptions and experience adjustments to current interest rates	72,990	(148)	-	72,842
Insurance finance income	39,813	(5,228)	8,807	43,392
Premiums received	134,469	-	-	134,469
Claims, benefits and expenses paid	(940,306)	-	-	(940,306)
Acquisition costs paid	(57,636)	-	-	(57,636)
Other	(807)	-	-	(807)
Cash flows	(864,280)	-	-	(864,280)
Net closing balance, at 31 December 2024	5,296,605	156,287	230,963	5,683,855
Closing assets	(9,742)	1,573	4,638	(3,531)
Closing liabilities	5,306,347	154,714	226,325	5,687,386

16. INSURANCE CONTRACTS, REINSURANCE CONTRACTS HELD (continued)

Movement schedules by measurement component (continued)

Insurance contracts

	US$'000 Best estimate liability	US$'000 Risk adjustment	US$'000 Contractual service margin	US$'000 Total
Opening assets	-	-	-	-
Opening liabilities	6,304,020	121,213	434,200	6,859,433
Net opening balance, at 1 January 2023	6,304,020	121,213	434,200	6,859,433
Changes in estimates that adjust contractual service margin	121,606	35,914	(157,520)	-
Changes in estimates that result in (a reversal of) onerous contracts	4,633	1,766	-	6,399
New contracts issued — non-onerous	(6,892)	1,594	5,298	-
New contracts issued — onerous	15,213	2,325	-	17,538
Changes that relate to future service	134,560	41,599	(152,222)	23,937
Earnings released from contractual service margin	-	-	(35,573)	(35,573)
Release of risk adjustment	-	(10,663)	-	(10,663)
Experience adjustments on current service	(20,009)	-	-	(20,009)
Changes that relate to current service	(20,009)	(10,663)	(35,573)	(66,245)
Insurance service result	114,551	30,936	(187,795)	(42,308)
Interest accreted to insurance contracts	300,118	6,439	13,130	319,687
Changes in interest rates and other financial assumptions	141,314	15,645	-	156,959
Revaluation of changes in non-financial assumptions and experience adjustments to current interest rates	82,982	(4,654)	-	78,328
Insurance finance income / (expenses)	524,414	17,430	13,130	554,974

16. INSURANCE CONTRACTS, REINSURANCE CONTRACTS HELD (continued)

Movement schedules by measurement component (continued)

Premiums received	131,268	-	-	131,268
Claims, benefits and expenses paid	(959,841)	-	-	(959,841)
Acquisition costs paid	(46,727)	-	-	(46,727)
Other	700	-	-	700
Cash flows	(874,600)	-	-	(874,600)
Net exchange differences	1	(1)	62	62
Net closing balance, at 31 December 2023	6,068,386	169,578	259,597	6,497,561
Closing assets	(6,861)	781	2,363	(3,717)
Closing liabilities	6,075,247	168,797	257,234	6,501,278

16. INSURANCE CONTRACTS, REINSURANCE CONTRACTS HELD (continued)

Movement schedules by measurement component (continued)

Reinsurance contracts held

	US$'000 Best estimate liability	US$'000 Risk adjustment	US$'000 Contractual service margin	US$'000 Total
Opening assets	6,099,568	77,885	62,317	6,239,770
Opening liabilities	(311,173)	46,254	31,757	(233,162)
Net opening balance, at 1 January 2024	5,788,395	124,139	94,074	6,006,608
Changes in estimates that adjust contractual service margin	124,104	(1,376)	(122,728)	-
Changes in estimates that relate to losses and reversals of losses on underlying onerous contracts	-	-	39,866	39,866
New reinsurance contracts issued / acquired recognized in the year	(1,963)	1,194	769	-
Initial recognition of onerous underlying contracts	-	-	431	431
Changes in the contractual service margin due to reversals of a loss-recovery component other than changes in the FCF of reinsurance contracts held	-	-	(112)	(112)
Changes that relate to future service	122,141	(182)	(81,774)	40,185
CSM recognized for service received	-	-	(3,875)	(3,875)
Release of risk adjustment	-	(8,053)	-	(8,053)
Experience adjustments on current service	(20,140)	-	-	(20,140)
Changes that relate to current service	(20,140)	(8,053)	(3,875)	(32,068)
Net income / (expenses) of reinsurance held	102,001	(8,235)	(85,649)	8,117
Reinsurance finance income	4,714	(3,228)	1,903	3,389
Premiums paid, net of received fixed commission	(23,759)	-	-	(23,759)
Amounts received	(847,525)	-	-	(847,525)
Other	(2,037)	-	-	(2,037)
Cash flows	(873,321)	-	-	(873,321)
Net closing balance, at 31 December 2024	5,021,789	112,676	10,328	5,144,793
Closing assets	5,247,172	69,689	43,148	5,360,009
Closing liabilities	(225,383)	42,987	(32,820)	(215,216)

16. INSURANCE CONTRACTS, REINSURANCE CONTRACTS HELD (continued)

Movement schedules by measurement component (continued)

Reinsurance contracts held

	US$'000 Best estimate liability	US$'000 Risk adjustment	US$'000 Contractual service margin	US$'000 Total
Opening assets	6,451,719	26,345	204,612	6,682,676
Opening liabilities	(345,858)	54,736	80,429	(210,693)
Net opening balance, at 1 January 2023	6,105,861	81,081	285,041	6,471,983
Changes in estimates that adjust contractual service margin	149,734	36,033	(185,767)	-
Changes in estimates that relate to losses and reversals of losses on underlying onerous contracts	-	-	2,748	2,748
New reinsurance contracts issued / acquired recognized in the year	(1,191)	920	271	-
Initial recognition of onerous underlying contracts	-	-	1,144	1,144
Changes in the contractual service margin due to reversals of a loss-recovery component other than changes in the FCF of reinsurance contracts held	-	-	(230)	(230)
Changes that relate to future service	148,543	36,953	(181,834)	3,662
CSM recognized for service received	-	-	(17,674)	(17,674)
Release of risk adjustment	-	(6,544)	-	(6,544)
Experience adjustments on current service	(15,953)	-	-	(15,953)
Changes that relate to current service	(15,953)	(6,544)	(17,674)	(40,171)
Net income / (expenses) of reinsurance held	132,590	30,409	(199,508)	(36,509)
Reinsurance finance income	493,461	12,649	8,541	514,651
Premiums paid, net of received fixed commission	89,132	-	-	89,132
Amounts received	(1,030,042)	-	-	(1,030,042)
Other	(2,607)	-	-	(2,607)
Cash flows	(943,517)	-	-	(943,517)
Net exchange differences	-	-	-	-
Net closing balance, at 31 December 2023	5,788,395	124,139	94,074	6,006,608
Closing assets	6,099,568	77,885	62,317	6,239,770
Closing liabilities	(311,173)	46,254	31,757	(233,162)

16. INSURANCE CONTRACTS, REINSURANCE CONTRACTS HELD (continued)

Maturity analysis contractual service margin

	2024	2023
	US$'000	US$'000
Maturity analysis CSM insurance contracts	Discounted CSM	Discounted CSM
< 1 year	(13,931)	(15,283)
1-2 years	(12,684)	(13,322)
2-3 years	(11,840)	(12,076)
3-4 years	(11,248)	(11,193)
4-5 years	(10,804)	(10,672)
5-10 years	(46,297)	(47,386)
10-20 years	(61,359)	(67,698)
> 20 years	(62,800)	(81,967)
On December 31	(230,963)	(259,597)

	2024	2023
	US$'000	US$'000
Maturity analysis CSM reinsurance contracts held	Discounted CSM	Discounted CSM
< 1 year	(629)	(4,758)
1-2 years	(556)	(4,440)
2-3 years	(503)	(4,120)
3-4 years	(458)	(3,910)
4-5 years	(427)	(3,777)
5-10 years	(1,710)	(17,406)
10-20 years	(2,862)	(23,653)
> 20 years	(3,183)	(32,010)
On December 31	(10,328)	(94,074)

16. INSURANCE CONTRACTS, REINSURANCE CONTRACTS HELD (continued)

Movement schedules contractual service margin by transition method

	US$'000 Insurance contracts MRA	US$'000 Insurance contracts FVA	US$'000 Insurance contracts Other	US$'000 Insurance contracts Total CSM	US$'000 Reinsurance contracts held MRA	US$'000 Reinsurance contracts held FVA	US$'000 Reinsurance contracts held Other	US$'000 Reinsurance contracts held Total CSM
At 1 January 2024	140,456	57,616	61,525	259,597	-	30,612	63,462	94,074
Changes in estimates that adjust CSM	(15,809)	(6,655)	(2,153)	(24,617)	-	(66,187)	(56,541)	(122,728)
Changes in estimates that result in onerous contracts	-	-	-	-	-	(365)	40,231	39,866
New contracts issued — non-onerous	-	-	10,513	10,513	-	-	769	769
New contracts issued — onerous	-	-	-	-	-	-	431	431
Changes in the contractual service margin due to reversals of a loss-recovery component other than changes in the FCF of reinsurance contracts held	-	-	-	-	-	175	(287)	(112)
Earnings released from contractual service margin	(12,445)	(4,996)	(5,896)	(23,337)	-	1,042	(4,917)	(3,875)
(Re)Insurance finance income	5,243	1,047	2,517	8,807	-	(8)	1,911	1,903
At 31 December 2024	117,445	47,012	66,506	230,963	-	(34,731)	45,059	10,328

	US$'000 Insurance contracts MRA	US$'000 Insurance contracts FVA	US$'000 Insurance contracts Other	US$'000 Insurance contracts Total CSM	US$'000 Reinsurance contracts held MRA	US$'000 Reinsurance contracts held FVA	US$'000 Reinsurance contracts held Other	US$'000 Reinsurance contracts held Total CSM
At 1 January 2023	202,552	158,448	73,200	434,200	-	85,804	199,237	285,041
Changes in estimates that adjust CSM	(52,736)	(91,352)	(13,432)	(157,520)	-	(52,637)	(133,130)	(185,767)
Changes in estimates that result in onerous contracts	-	-	-	-	-	232	2,516	2,748
New contracts issued — non-onerous	-	-	5,298	5,298	-	-	271	271
New contracts issued — onerous	-	-	-	-	-	-	1,144	1,144
Changes in the contractual service margin due to reversals of a loss-recovery component other than changes in the FCF of reinsurance contracts held	-	-	-	-	-	-	(230)	(230)
Earnings released from contractual service margin	(17,247)	(12,165)	(6,161)	(35,573)	-	(4,016)	(13,658)	(17,674)
(Re)Insurance finance income	7,887	2,623	2,620	13,130	-	1,229	7,312	8,541
Net exchange differences	-	62	-	62	-	-	-	-
At 31 December 2023	140,456	57,616	61,525	259,597	-	30,612	63,462	94,074

16. INSURANCE CONTRACTS, REINSURANCE CONTRACTS HELD (continued)

New contracts recognized

New insurance contracts recognized, no PAA

	2024		
	Issued non-onerous contracts US$'000	Issued onerous contracts US$'000	Total US$'000
Present value of cash inflows	(141,792)	(88,945)	(230,737)
Present value of cash outflows	127,945	100,044	227,989
Risk adjustment for non-financial risk	3,334	1,904	5,238
Contractual service margin	10,513	-	10,513
Loss recognized on initial recognition	-	13,003	13,003

	2023		
	Issued non-onerous contracts US$'000	Issued onerous contracts US$'000	Total US$'000
Present value of cash inflows	(63,276)	(105,360)	(168,636)
Present value of cash outflows	56,384	120,573	176,957
Risk adjustment for non-financial risk	1,594	2,325	3,919
Contractual service margin	5,298	-	5,298
Loss recognized on initial recognition	-	17,538	17,538

16. INSURANCE CONTRACTS, REINSURANCE CONTRACTS HELD (continued)

Critical judgements and estimates

The fulfilment cash flows comprise:

- Estimates of future cash flows;
- An adjustment to reflect time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows and
- A risk adjustment for non-financial risk.

Each measurement element requires the use of significant judgement and estimates

Valuation methods

TLB's objective in estimating future cash flows is to determine a range of scenarios that reflects the full range of possible outcomes. Each scenario specifies the amount and timing of the cash flows for a particular outcome, and the estimated probability of that outcome. The cash flows from each scenario are discounted and weighted by the estimated probability of that outcome to derive an expected present value.

When determining the expected value of the full range of possible outcomes, the objective is to incorporate all reasonable and supportable information available without undue cost or effort in an unbiased way, rather than to identify every possible scenario. In some cases, relatively simple modelling provides an answer within an acceptable range of precision. In other cases, more complex valuation methods are required to satisfy the measurement objective. For example, if cash flows reflect a series of interrelated (implicit or explicit) options and respond in a non-linear fashion to changes in economic conditions, then TLB often uses stochastic modelling techniques to estimate the expected present value. Stochastic modelling involves projecting future cash flows under a large number of possible economic scenarios for market variables such as interest rates and equity returns. Other methods that are used to measure non-linear cash flows include closed form solutions and replicating portfolio techniques.

Actuarial assumptions

When estimating future cash flows, TLB sets actuarial assumptions for underwriting risk including policy claims (such as mortality, longevity or morbidity), policyholder behavior (such as lapses, surrender of policies or partial withdrawals) and expenses. Actuarial assumptions are set annually.

Underwriting assumptions

Mortality tables applied are generally developed based on a blend of company experience and industry wide studies, taking into consideration product characteristics, own risk selection criteria, target market and past experience. Mortality experience is monitored through regular studies, the results of which are fed into the pricing cycle for new products and reflected in the liability calculation for in-force groups of contracts where appropriate. For contracts insuring survivorship or mortality, allowance is made for further longevity or mortality improvements. Morbidity assumptions are based on own claims severity and frequency experience, adjusted where appropriate for industry information. Industry survey is used for judgement-based assumptions like for example morbidity improvement and cost of long-term care (LTC) inflation.

16. INSURANCE CONTRACTS, REINSURANCE CONTRACTS HELD (continued)

Critical judgements and estimates (continued)

Underwriting assumptions (continued)

Surrender and lapse rates depend on product features, policy duration and external circumstances such as the interest rate environment and competitor behavior. For policies where policyholders are expected to have financial incentive to choose a favorable lapse timing based on the market conditions, a dynamic lapse assumption is utilized to reflect expected policyholder behavior when applying multiple scenarios in measurement. Own experience, as well as industry published data, are used to in establishing assumptions. Lapse experience is correlated to mortality and morbidity levels, as higher or lower levels of surrenders may indicate future claims will be higher or lower than anticipated. Such correlations are accounted for in the mortality and morbidity assumptions based on the emerging analysis of experience.

Policyholder benefits that are directly linked to asset performance are projected at rates that are consistent with the discount rates applied. For cash flows like crediting rates, the projected cash flows reflect how the reporting unit would determine crediting rates in a given scenario based on the Company's crediting policies. Other management actions are taken into account to the extent that they are part of TLB's regular policies and procedures.

Expense assumptions

Expenses that are attributable to the fulfilment of cash flows include acquisition expenses, maintenance expenses and claims settlement costs, as well as overhead costs that TLB considers to be unavoidable when fulfilling the in-force contracts. Investment expenses are included in the fulfilment cash flows for contracts that provide investment-related or investment-return services, as well as for contracts where TLB performs investment activities that enhance the policyholders' benefits from insurance coverage. TLB's expense assumptions are based on the current level of expenses, adjusted for future expense inflation and the impact of known one-off projects (such as planned cost saving initiatives or projects to implement additional regulatory reporting requirements). In not-at-scale units, further adjustment is made to reflect a long-term scale of business.

When allocating the attributable expenses to groups of contracts, TLB leverages allocation approaches used for pricing or regulatory reporting. Where IFRS requires a greater level of granularity, additional allocation keys are applied that have been defined based on, for example, further expense studies. The expense inflation assumption is split into a financial component that is calibrated to market observables and a non-financial component that is set as an actuarial assumption. The non-financial component of the expense inflation assumption represents the estimated difference between general market inflation implied by the market and expense inflation that is specific to TLB's product characteristics. Some inflation assumptions do not include a financial component but are entirely set as an actuarial assumption, given that they are weakly correlated with general inflation indices and there is no hedge market for such rates.

16. INSURANCE CONTRACTS, REINSURANCE CONTRACTS HELD (continued)

Critical judgements and estimates (continued)

Discount rates and other financial assumptions

TLB adjusts the estimated future cash flows of a group of contracts to reflect the time value of money and the financial risks related to those cash flows, to the extent that the financial risks are not included in the estimates of cash flows. The discount rates applied to the estimates of the future cash flows:

- Reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts;
- Are consistent with observable current market prices (if any) for financial instruments with cash flows whose characteristics are consistent with those of the insurance contracts, in terms of, for example, timing, currency and liquidity; and
- Exclude the effect of factors that influence observable market prices but do not affect the future cash flows of the insurance contracts.

No implicit adjustments for non-financial risk are included in the discount rates, as the risk adjustment for non-financial risks is explicitly included in the fulfilment cash flows.

When determining the discount rates at the date of initial recognition of a group of contracts, TLB uses weighted-average discount rates over the period that contracts in that group are issued (i.e. six months).

IFRS explicitly mentions two calibration options for the discount rate, namely the ‘top-down approach’ and ‘bottom-up’ approach. TLB has generalized both approaches into a direct discounting technique in which discount rates are determined as the sum of the risk-free rate plus a percentage of the illiquidity premium (ILP). The ILP is an extra spread that an investor can earn by investing in a security that offers limited or no ability for the investor to exit the investment prior to its maturity. If an insurance liability is illiquid (meaning that the policyholder has limited or no ability to cash it in prior to maturity or contingency-base payment), the liability is discounted at a rate that includes an ILP because illiquid assets (earning an illiquidity premium) may be purchased to back or replicate that liability.

16. INSURANCE CONTRACTS, REINSURANCE CONTRACTS HELD (continued)

Risk-free yield curve

TLB has identified rate available in the USD markets that can be used as a basis for the risk-free yield curve, including Secured Overnight Funding Rates (SOFR) and US Treasury rates for USD. No adjustment is made to overnight swap rates and US Treasury rates, as the credit risk of these instruments is deemed negligible.

A full risk-free yield curve is derived by first interpolating between tenors for which market data is available, and then extrapolating the yield curve beyond market observable maturities. Discount rates converge linearly in 10 years to an ultimate forward rate. A uniform last liquid point for USD is set at 30 years. The ultimate forward rates reflect a long-term view on nominal interest rates and is set by management per currency, considering expected real interest rates and long-term inflation together with the current market environment. The ultimate forward rates have been reviewed as part of the annual Group economic assumptions update and revised to a common level of 3.40% effective Dec 31, 2024. (31 December 2023: 3.45% for USD)

TLB reviews the risk-free last liquid point and ultimate forward rates quarterly which, although expected to be infrequent, may lead to assumption updates if there are significant changes in market conditions.

Yield curves (zero coupon rates excluding ILP)	31 December 2024	1 year	5 years	10 years	15 years	20 years
USD		4.24%	4.46%	4.67%	4.89%	5.05%

Yield curves (zero coupon rates excluding ILP)	31 December 2023	1 year	5 years	10 years	15 years	20 years
USD		4.83%	3.89%	3.90%	4.00%	4.39%

16. INSURANCE CONTRACTS, REINSURANCE CONTRACTS HELD (continued)

Illiquidity premium

TLB has set ILPs by coinsured and retained block which has resulted in 2 ILP curves. For each block, an ILP curve is constructed that is based on the market-observables returns on a reference portfolio of assets. The reference portfolio is based on the block's investment policy target mix of fixed interest securities and excludes alternative investments (such as equities and real estate investments).

To derive the ILP curve for respective block, market observable spreads are sourced and adjusted for expected and unexpected default losses. The ILP is based on the line of business reference portfolio and investment strategy.

The full ILP curve is derived by interpolating between the observable tenors and then extrapolating the yield linearly beyond the ILP last liquid point to the ultimate forward ILP. The last liquid point can be set separately for each duration bucket, or as a practical simplification, as a single point in time for the entire reference portfolio. The ultimate forward spread is set based on historical average spread adjusted for differences between the current and long-term asset mix and default risk.

TLB updates the reference portfolio quarterly, and the ILP last liquid point and ILP ultimate forward rate are revised accordingly.

ILP by portfolio

31 December 2024	1 year	5 years	10 years	15 years	20 years	30 years
Coinsured Business	0.70%	0.70%	0.70%	0.70%	0.70%	0.97%
Retained Business	0.72%	0.72%	0.72%	0.72%	0.72%	0.95%

ILP by portfolio

31 December 2023	1 year	5 years	10 years	15 years	20 years	30 years
Coinsured Business	0.98%	0.98%	0.98%	0.98%	0.98%	1.08%
Retained Business	0.95%	0.95%	0.95%	0.95%	0.95%	1.01%

16. INSURANCE CONTRACTS, REINSURANCE CONTRACTS HELD (continued)

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is included explicitly as a separate component of the fulfilment cash flows. It reflects the compensation that TLB requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as it fulfils insurance contracts.

The non-financial risks considered include mortality, morbidity, policyholder behavior, expense, and product specific operational risk. Non-financial risks that do not arise from the insurance contracts, such as general operational risk, are not reflected in the risk adjustment. The risk adjustment reflects both the risk that actual experience differs from the best estimate assumption used to project future cash flows due to mis-estimation (parameter risk), as well as the risk of random fluctuations around the true estimates (contagion risk).

Diversification benefits are recognized at the Company level. To align with market practice, TLB only reflects the degree of diversification between non-financial risks, and contrary to its pricing methodology, ignores diversification benefits between financial and non-financial risks. Diversification effects include the impact of reinsurance ceded, as well insurance contracts classified as held for sale.

TLB generally applies a simplified confidence interval technique which estimates the risk adjustment for non-financial risk using a confidence level (probability of sufficiency) approach at the 80th percentile. Under this approach, a probability distribution is assumed for each particular risk and the amount above the expected present value of future cash flows determined (using a shock factor). The impacts for each risk are then aggregated using a correlation matrix, reflecting diversification between the various non-financial risk types.

Changes in methods and inputs used to measure fulfilment cash flows

Actuarial assumptions are reviewed periodically in the fourth quarter, based on historical experience, observable market data, including market transactions such as acquisitions and reinsurance transactions, anticipated trends and legislative changes. Similarly, the models and systems used for determining our liabilities and reinsurance assets are reviewed periodically, and if deemed necessary, updated based on emerging best practice and available technology.

16. INSURANCE CONTRACTS, REINSURANCE CONTRACTS HELD (continued)

Changes in methods and inputs used to measure fulfilment cash flows (continued)
TLB did not make any significant changes to the contract boundaries in the current reporting period, nor did it update the approaches used to determine the discount rate or estimate the risk adjustment for nonfinancial risk.

Relevant other significant judgements
In addition to the judgments and estimates made in measuring the fulfilment cash flows that are described above, other significant judgments are applied in determining:
- The relative weighting of coverage units when multiple services are provided;
- The non-distinct investment component, which is excluded from insurance revenue; and
- The adjustment for non-performance risk that is applied to reinsurance contracts held.

Weighting of coverage units
Often one single metric can be defined that captures multiple services provided under one contract. Different approaches are used by TLB when assessing the relative weighting of the benefits of different services. In some cases, the weighting is done in a way that directly flows from the composition of the benefits under the contract. For example, for a life insurance product with an account value that can be surrendered, coverage units can be based on the total death benefit as this amount comprises both the account value (investment service) and the excess death benefits (insurance service). In other cases, significant judgement is required.

Investment component
TLB reports insurance revenue and insurance service expenses excluding non-distinct investment components. An investment component is defined as the amount that an insurance contract requires TLB to repay to a policyholder, even if the insured event does not occur.

TLB determines the investment component, when a claim is incurred as an amount is released from the liability for remaining coverage. When doing so it considers which payments would have been possible immediately prior to the claims date. For example, a payment might have needed to be made to the policyholder in light of policy surrender, the uptake of a policy loan or the partial withdrawal, or the transfer of an insurance policy to another insurer. The investment component is defined net of any penalty or similar charges.

Adjustment to reinsurance contracts held for non-performance risk
The non-performance risk by the reinsurer is based on TLB's credit exposure, net of collateral, and the perceived counterparty default risk. In assessing the credit exposure, TLB takes into account treaty provisions for non-performance, such as the automatic recapture of the reinsured business on default of the reinsurer.

When estimating a reinsurer's default risk, TLB considers the current financial condition and credit standing of the reinsurer, expert judgment specific to the local reinsurance market and historical data (such as Moody's Loss Given Default rates). The ultimate adjustment reflects the risk of potential reinsurance counterparty failure due to default (i.e. credit events), as well as disputes resulting in reduced payments and the potential for current conditions to change over time.

17. INTANGIBLE ASSETS

	Computer software
	US$'000
Cost	
At 1 January 2023	7,885
Additions/ (disposal)	496
At 31 December 2023	8,381
Additions/ (disposal)	(154)
At 31 December 2024	8,227
Accumulated amortization	
At 1 January 2023	(2,809)
Charge for the year	(1,575)
At 31 December 2023	(4,384)
Charge for the year	(1,516)
At 31 December 2024	(5,900)
Net book value	
At 31 December 2023	3,997
At 31 December 2024	2,327

18. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

This note provides information for leases where the Company is a lessee.

(i) Amounts recognized in the Statement of Financial Position
The Statement of Financial Position shows the following amounts relating to leases:

	2024	2023
	US$'000	US$'000
Right-of-use assets		
Properties	1,393	3,577
Equipment	173	233
Leasehold improvements	178	242
	1,744	4,052
Lease liabilities		
Current lease liabilities	1,270	2,385
Non-current lease liabilities	557	1,839
	1,827	4,224

Additions to the right-of-use assets during the 2024 financial year were US$15,000 (2023: US$1,204,000).

18. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

(ii) Amounts recognized in the statement of profit or loss and other comprehensive income

	2024	2023
	US$'000	US$'000
Depreciation charge of right-of-use assets		
Properties	2,169	2,124
Equipment	59	57
Leasehold improvements	77	18
	2,305	2,199
Interest expense (included in finance cost)	75	75

(iii) The Company's leasing activities and how these are accounted for
Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

19. OTHER LIABILITIES

	2024	2023
	US$'000	US$'000
Other payables	22,685	3,228
Accruals	3,451	3,698
	26,136	6,926

20. NET RECEIVABLE/(PAYABLE) TO RELATED COMPANIES

	2024	2023
	US$'000	US$'000
Receivable related to coinsurance agreement	22,988	15,167
Receivable related to service agreements	1,109	834
	24,097	16,001
Payable related to service agreements	(2,615)	(1,125)

21. RETIREMENT AND COMPENSATION PLANS

All Hong Kong full-time employees are eligible to participate in a defined contribution retirement plan to which both the Company and the employee contribute. The Company and employee contributions are calculated and accrued according to Mandatory Provident Fund Scheme rules or exempted Occupational Retirement Schemes Ordinance whichever is applicable. The Company's expense was US$922,000 and US$703,000 for 2024 and 2023, respectively.

As required by law, the Company makes contributions to the Singapore statutory pension scheme, the Central Provident Fund ("CPF"). CPF contributions are recognized as expense in the same period as the employment that gives rise to the contributions. The Company's expense was US$317,000 and US$267,000 for 2024 and 2023, respectively.

22. TOTAL DISTRIBUTIONS

	2024	2023
	US$'000	US$'000
Dividends	235,034	188,663
Return of capital	21,999	266,896
	257,033	455,559

23. CONTINGENT LIABILITIES

As at 31 December 2024, the Company has undertaken a Letter of Credit with Landesbank HessenThüringen Girozentrale for policies ceded by a 3rd party insurer for an amount of US$2,000,000. The Letter of Credit shall be automatically extended, without written amendment, to December 7 in each succeeding calendar year, unless with a written notice and be at least 90 calendar days after the date of written notification.

24. RELATED PARTY TRANSACTIONS

Details of the material transactions with companies related to the Company were as follows:

	Notes	2024	2023
		US$'000	US$'000
Transactions with fellow subsidiaries:			
Aegon USA Investment Management LLC			
Investments handling fee	(i)	886	1,276
Aegon Insights Limited			
Management fee	(iii)	-	(10)
Aegon Asia			
Management fee	(iii)	329	(129)
Aegon Asset Management			
Management fee	(iii)	-	(1)
Transamerica (Bermuda) SVC CTR			
Management fee	(iii)	306	503
MONEY SERVICES, INC.			
Other expense allocation transaction	(iii)	1,777	1,631
Transactions with ultimate holding company:			
Aegon Ltd.			
Management fee	(iii)	3,992	3,012
Transactions with immediate holding company:			
Transamerica Life Insurance Company ("TLIC")			
Coinsurance net income	(ii)	(889,351)	(893,833)
Investment handling fee	(iii)	-	-
Other expense allocation transaction	(iii)	1,392	1,356

(i) Aegon USA Investment Management, LLC charges a fee to manage the Company's assets. Fees are based on assets under management. The terms of the arrangement were agreed between the Company and its counterparty.

(ii) Net coinsurance expense (income) with TLIC under a coinsurance agreement. The terms of the arrangement were agreed between the Company and its counterparty.

(iii) Member companies in Aegon group have engaged in an Expenses Allocation Agreement (the "Agreement"). Expenses incurred that are allocable according to the Agreement are allocated through intercompany transactions. The terms of the arrangement were agreed between the Company and its counterparties.

25. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on 22 April 2025.